

Towards
**DEMOCRATIC
DEVELOPMENTAL
STATES**
in Southern Africa

EDITED BY

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OSISA

Open Society Initiative
for Southern Africa



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Words of Praise

for

Towards a Democratic Developmental State

‘Bold, critical and comprehensive. An authentic and convincing case for the creation of democratic, transformative, inclusive and developmental states in Southern Africa. The timing of the volume could not have been better. I strongly recommend that anyone truly interested in progress in Africa read this book.’

Theresa Moyo (Associate Professor, Master of Development Programme, Turfloop Graduate School of Leadership, University of Limpopo)

‘This book is a rich and compact one-stop review of the global history and trajectory of developmental states, the making, consolidation, and retrenchment of the post-colonial African state, and the continuing quest for a sustainable structural transformation of African economies. For academics, public intellectuals, activists, and policy officials with an interest in why and how Africa must not only reinstate game-changing development strategies as a cardinal principle and objective of state policy, and do so on the basis unalloyed democratic ideals, this book will be a compulsory and valuable companion.’

Professor Adebayo Olukoshi, Director for Africa and West Asia, International IDEA.

‘The first round of this region’s Developmental State debate quickly became stale, because it was top-down and in the talk-left walk-right tradition. This very welcome book, with chapters authored by hard-working regional scholars, NGO staff and activists, will help reignite the discussion. The timing now is especially urgent, as the end of the export commodity price boom – and with it ‘Africa Rising’ myth-making – reveals the limits of both the neo-liberal strategy and the Chinese model. This book shows how better economic balance (including along gender lines), productive localisation and income redistribution are crucial components of genuine developmental state building.’

Patrick Bond, Professor of Political Economy at the University of the Witwatersrand School of Governance, South Africa.

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FOREWORD

During the 1980s and 90s – the lost decades of development for Sub-Sahara – African states implemented Structural Adjustment Programmes at the behest of the IMF and World Bank. The new millennium, however, witnessed a change of fortunes, marked by rising growth at an annual average of at least 5% during the period 2000-2015. This sustained growth was driven by increased demand for Africa's primary commodities largely from emerging economies, especially China, as well as improved economic management.

The 3 December 2011 edition of *The Economist* changed its 'basket-case' prognosis of the previous decade towards a positive outlook for Africa, dubbing it 'The hopeful continent: Africa rising'. The IMF predicted that seven out of the ten fastest growing economies in 2011-15 would be in Sub-Saharan Africa. The 6 January 2011 edition of *The Economist* used the headline 'The Lion Kings?', capturing the expectation that Africa would take advantage of its youth bulge, a workforce at its healthiest and best educated, and being more globalised than at any time in its history. Crowning this, was the discovery of untapped natural resources on an unprecedented scale.

With sustained growth since the turn of the millennium, this 'rising' has been celebrated. What was not acknowledged though, was that it failed to create productive employment, or address food insecurity, poverty reduction and rising inequality. Unlike the growth episodes in East Asia associated with rapid structural transformation and poverty reduction, the growth experienced in Sub-Saharan Africa was not accompanied by structural transformation or the reduction of poverty. At less than 10% of GDP, manufacturing remained small while agriculture employed over 60% of the labour force although its share of GDP is much lower at an average of 25% owing to relatively low levels of productivity and earnings.

Thus, the enclave structure of African economies has hardly changed over the past five decades, being dominated by primary extraction of natural resources, along with the financial proceeds of these off-shore. On the other hand, the share of informal employment in Africa has risen with nine in ten rural and urban workers - mostly women and youth - having informal jobs. According to the African Development Bank (AfDB), the informal sector accounts for about 55% of Sub-Saharan Africa's GDP and 80% of its labour force. Even though the proportion of workers in vulnerable employment (de-

financed as own-account and contributing family workers) in Sub-Saharan Africa decreased from 83% in 1991 to 82% in 2000 and 77% by 2013, these figures are unacceptably high.

While many countries in Africa adopted measures to diversify their economies, progress has been slow. The potential to develop labour-intensive manufacturing, especially in sub-sectors with linkages to agriculture and extractives, remains largely unexploited. With a majority of women in vulnerable employment, the gender gap has widened during the past two decades excluding more women.

Development discourse and experiences over the past decades point to the importance of structural change as a key driver of growth that reduces levels of vulnerable employment in both the short and long run. In this situation, cross-sector labour productivity is associated with the fastest reduction of vulnerable employment and, hence, poverty. A growth model is needed based on structural change that reduces the share of workers in vulnerable employment faster than other growth models. Structural change is associated with a reallocation of labour away from primary production in agriculture into industry and service sectors. This is critical since vulnerable employment is predominant in the agricultural sector, especially given the impact of climate change.

In recent years, emerging economies such as Brazil, China and India have been able to reduce poverty more rapidly than most African countries because they undertook structural transformation with a higher proportion of labour moving from low-productivity to high-productivity sectors. Africa, therefore, faces the formidable challenges of not only sustaining the pace of growth but also of making growth more inclusive and productive. A deliberate focus on the reduction of inequality and the redistribution of wealth in favour of the poor will be critical in the years to come.

Against this background, Africa's economic priority is structural transformation, as is now widely acknowledged. Structural transformation is at the centre of the AfDB's ten-year strategy and is also a priority for the Economic Commission for Africa. Consequently, structural transformation is identified as Africa's overarching objective in the African Union's Agenda 2063, adopted in January 2015, which recognises that growth alone is inadequate for Africa to fulfil its social goals, especially employment creation and poverty eradication. Likewise, SADC adopted the 'Industrialisation Strategy and Roadmap, 2015-2063,' at its Extraordinary Summit in Harare, in April 2015. In this purview, structural change is seen as both the cause and the effect of economic growth. Four interrelated processes define this structural transformation:

- (a) a declining share of agriculture in GDP and employment;
- (b) rapid urbanisation;

- (c) the rise of a modern formal industrial and service economy; and
- (d) a demographic transition from high to low birth and death rates to facilitate the demographic dividend.

Since the global financial and economic crisis exposed the limits of ‘market fundamentalism’, the consensus emerged that structural transformation cannot arise from the ‘trickle-down’ benevolence of market forces. The crisis led to a rethink of the role of the state, from the minimalist state of the neo-liberal era charged with maintaining peace and macroeconomic stability, regulation, collecting taxes and correcting market failures, to one that exhibits two components, the ‘developmentalist’ ideology and the structural (high rates of accumulation and industrialisation). Such a state intervenes strategically to achieve developmental goals – this is the ‘developmental state.’ While the Asian developmental state was authoritarian, this has to change, with citizen mobilisation translating development into a hegemonic project. It can be achieved in a democratic environment through engagement and persuasion rather than coercion. Thus the concept that this book explores is that of ‘the democratic developmental state’. Each country case study examines policy interventions since independence, identifying obstacles to developmental state interventions (internal and external) and the potential for developmental state interventions in future, considering the various political, social and economic factors at play.

Siphosami Malunga

Executive Director, OSISA

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The adage attributable to Aristotle that ‘the whole is greater than the sum of its parts’, captures the essence of the synergies that were brought to bear during the process of producing this book. The multifaceted and multidisciplinary nature of the subject matter – democratic developmental states – required skills in diverse areas, which is what the organisations and individuals who worked on this book contributed to the project. The coming to fruition of a book project on such an enduring subject that touches the lives of practically everyone, and spanning six countries of Southern Africa, is evidence of dedicated teamwork on the part of all those involved.

From the project inception at the end of 2013 to its final publication, many hours of brainstorming, robust discussions, and incisive analyses informed the processes that led to the realisation of this book. This reflects an undying desire on the part of the organisations and individuals involved, to see a transformation in the way the regional economies are managed, from the traditional top-down to more inclusive participatory approaches, from self-serving elite leaders to servant leaders who are seized with a genuine interest to sustainably improve the lives of the people that inhabit this region. Hence this yearning for a region characterised by a dynamic, participatory and radical democracy, which regards peoples’ mobilisation, demonstrations, and open hearings as part of the struggle for an ethical and developmental state.

During the course of the production of this book, several debts were incurred. First, we would like to salute the resoluteness and commitment demonstrated by the contributors to the country case studies: Sylvia Croese and Jesse Salah Ovadia (Angola), Gape Kaboyakgosi and Sethunya Tshepho Mosime (Botswana), Reinford Mwangonde and Shawo Mwakilama (Malawi), Herbert Jauch and Ellison Tjirera (Namibia), Thabileng Mothabi (South Africa), and Jesimen Chipika and Joyce Malaba (Zimbabwe). You took our constant probing and nudging with a huge sense of humility and responsibility.

We are highly indebted to the financial support and guidance from OSISA. In this regard, thanks are due to its Executive Director for his keen interest and guidance during the various phases of this book. In addition, we would like to put on record our sincere appreciation to the implementing organisation, LE-DRIZ, for all the coordination, logistics and backstopping services. Our various organisations allowed us inordinate time to work on this project; we hope your

trust was not in vain.

To all the participants at the inception workshop held in Johannesburg from 5-6 November 2013, the writers' validation roundtable held in Johannesburg from 18-19 February 2015, and the regional Conference on 'Building Democratic Developmental States for Economic Transformation in Southern Africa' which ran from 20-22 July 2015 in Pretoria, we hope that this book adequately captures and reflects the views that you so clearly and vigorously articulated. You also acted as guinea pigs on which the ideas in this book were tested. Special mention goes to Dr Onalenna Selolwane, Independent Researcher – Social Development Expert, Dr Theresa Moyo of the University of Limpopo and Tetteh Hormeku of the Third World Network-Africa, who attended the writers' validation workshop as peer reviewers. Your critical lenses and extensive understanding of the subject matter progressively informed the country case studies and influenced the narrative on democratic developmental states. Special thanks also go to Dr Patricia McFadden, a regional gender expert, and Professor Jimi Adesina of UNISA's Archie Mafeje Research Institute – College of Graduate Studies, for their contribution at the conceptual stage of the project.

We owe a huge and irreparable debt of gratitude to our publishers, Weaver Press, for their patience, which was often stretched to the limits in the pursuit of excellence. Your dedication and commitment to scholarship deserves the highest commendation.

Lastly, to all the citizens of this great region, for whom this book was written, we hope this will add wind to your sails as you continue fighting for visionary leadership and nothing short of ethical and accountable developmental states in the region, which are only a product of struggles. May we invoke the revolutionary spirit ignited during the liberation struggle in Mozambique – *aluta continua!* May this book remind you that the power is in your hands – *amandla awethu!!*

The Editors

October 2016

CONCEPTUAL FRAMEWORK – TOWARDS DEMOCRATIC DEVELOPMENTAL STATES IN SOUTHERN AFRICA

1. INTRODUCTION

In the aftermath of World War II, governments intervened extensively in their economies creating public enterprises and planning agencies to foster economic recovery and growth. However, following the two oil price shocks of the 1970s, a growing literature on rent-seeking behavior depicted the state as captured by self-serving individuals, thus bringing into question the very notion of the welfare state. With the election of conservative governments in the UK (1979) and USA (1981), a new macroeconomic orthodoxy emerged. The World Bank and the International Monetary Fund (IMF) in turn adopted ‘adjustment lending’, mostly to developing countries in 1980 as their premier programme, conditional on the implementation of a one-size-fits-all market-based economic policy package. This new economic doctrine, which was codified into the ‘Washington Consensus’ by John Williamson in 1990, can be summed up by the mantra ‘stabilise, privatise, and liberalise’. In this framework, the state had to be rolled back to play a subservient role to markets. Social goals, in particular employment creation and poverty reduction (and its eradication), which had been prioritised during the 1950s and 1960s, are treated as residuals to benefit from ‘trickle down’.

However, empirical evidence suggests that while macroeconomic stabilisation was often achieved following the implementation of orthodox reforms, this happened at the expense of sustained levels of investment, economic growth, employment and poverty reduction – the stabilisation trap (see Islam, 2003; Muqtada, 2010; UN Economic and Social Council, 2012). Easterly (2001) shows that despite the improved policy environment following the implementation of Structural Adjustment Programmes (SAPs), actual growth declined well below what was predicted, concluding that their implementation represented ‘lost decades’ of

development (see also Easterly, 2002). The global financial and economic crisis of 2008-09, the worst since the Great Depression of the 1930s, provided more ammunition against the dominant orthodoxy, with critics pointing to the lack of regulation or extensive deregulation that resulted in the state being 'too absent or too laissez-faire' to monitor the activities of the private sector, especially financial institutions, which prompted the crisis (see Muchena, 2010). As a result, the assumption that the market has an inbuilt logic and mechanism for self-correction (the invisible hand) was severely tested, with Western and emerging market governments intervening with large-scale bailouts of banks and affected enterprises to minimise contagion and stimulate recovery.

After being in denial for a long period, the World Bank conceded that after close to two decades of promoting market-based reforms in developing countries, the results are unsatisfactory. Its detailed reflection is contained in two seminal reports: *Economic Growth in the 1990s* (2005); and *The Growth Report* (2008). In its view: 'The principles of ... "macroeconomic stability, domestic liberalisation, and openness" have been interpreted narrowly to mean "minimize fiscal deficits, minimize inflation, minimize tariffs, maximize privatisation, maximize liberalisation of finance", with the assumption that the more of these changes the better, at all times and in all places – overlooking the fact that these expedients are just *some* of the ways in which these principles can be implemented' (World Bank, 2005: 11).

The lacklustre results of SAPs, and the success of state-led development in East Asia, have revived interest in the concept of the 'developmental state'. As the state-market pendulum has swung decisively back towards the role of the state, attention has returned to the 'lessons from Asia' and in particular the 'developmental state' and prospects of replicating it. As Kim aptly observes, the relevance of the 'developmental state' discourse lies in that '[n]ot only is the theory practical, but it is also attractive, because the tigers' phenomenal growth and rapid transformation from poverty traps to miracles have left a strong impression that there is some sort of a short cut to sustainable high growth, namely a "pathway from periphery"' (Kim, 2009: 384).

This chapter sets out the conceptual framework of a 'developmental state', tracing its origins and relevance to Southern Africa. The critical question is whether developing countries can draw lessons from twentieth-century 'developmental state' experience in East Asia, and replicate it in the twenty-first century. What adjustments are required for this concept to find meaning and application in today's more complex and challenging post-cold war setting? Is the autocratic nature of the Asian 'developmental state' necessary in building state capacities in the twenty-first century?

2. DEVELOPMENTAL STATES IN HISTORICAL PERSPECTIVE

2.1 THE EAST ASIAN EXPERIENCE

The term ‘developmental states’ was first coined by Chalmers Johnson to explain how and why Japan modernised and grew its economy in a much shorter period than Western economies to become a world power after 1945. Johnson sought to unravel the circumstances and impulses that shaped the institutions behind Japan’s industrial policy, and its Weberian ideal-type of an interventionist state that mixed private ownership with state guidance (Johnson, 1982). This judicious mix was successfully emulated by other Newly Industrialized Countries (NICs) – South Korea, Taiwan, Singapore and Hong Kong – all of which rapidly developed productive capacities towards an export-led industrialisation strategy.¹ These NICs, achieved high growth rates over sustained periods, transforming their economies from being agrarian to being industrial export-based in the 1980s through the leadership and coordination of highly effective states.

Table 1.1: Percentage of Population Living in Households with Consumption or Income per Person below the Poverty Line (2005 PPP and US\$1.25 per day poverty line)

Year	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7
2011	7.9	0.5	4.6	1.7	24.5	46.9	17.0
2010	10.3	0.6	4.8	1.7	29.0	48.2	19.2
2008	13.7	0.5	5.4	2.1	34.1	49.7	21.9
2005	16.6	1.3	7.4	3.0	39.3	52.9	24.8
2002	27.3	2.1	10.2	3.8	44.1	57.2	30.6
1999	35.9	3.8	11.0	4.8	45.0	59.4	34.2
1996	38.3	4.3	10.6	4.8	48.6	59.8	35.9
1993	51.7	2.9	11.1	5.3	52.1	60.8	41.6
1990	57.0	1.5	12.6	5.8	54.1	56.8	43.4
1987	54.3	1.9	12.5	7.2	56.9	55.8	43.0
1984	65.6	2.3	13.4	6.6	57.7	56.3	47.5
1981	78.0	2.9	11.7	8.9	61.4	52.8	52.7

Source: <http://iresearch.worldbank.org/PovcalNet/index.htm?1> [down-loaded on 17 July 2015]

Notes: Region 1 is East Asia and Pacific; Region 2 is Europe and Central Asia; Region 3 is Latin America and the Caribbean; Region 4 is Middle East and North Africa; Region 5 is South Asia; and Region 6 is Sub-Saharan Africa.

Compared to the rate of growth of many Western economies, the performance of the Asian tigers is staggering. For instance, while it took the US economy around 50 years and the UK an estimated 60 years to double the sizes of their

¹ Other countries in the region later joined this elite group: Thailand, Malaysia, Indonesia and, more recently, China, India and Vietnam.

economies during their economic take-off in the late nineteenth century, several East and South-East Asian countries have been doubling their economies every 10 years. Instructively, the pace at which populations have been lifted out of poverty in East Asia and the Pacific (Region 1) and South Asia (Region 5) is unparalleled, even though as recently as the mid-1980s their levels of poverty were above those of Sub-Saharan Africa (see Table 1.1).

2.2 THE IMPORTANCE OF THE COLONIAL LEGACY AND INCOME INEQUALITY

While most of the literature on the East Asian ‘miracle’ focuses on the period since the 1960s and the state’s exceptional capacity to implement industrial policy that resulted in phenomenal economic growth (Johnson, 1982; Amsden, 1989; Wade, 1990; Evans, 1995; Woo-Cummings, 1999), Kim (2009) argues that it ignored the question of the origins of the ‘developmental state’, their endogeneity.² Through a macro-historical comparison of South-East Asia (for example, Singapore, Malaysia and Thailand) and North-East Asia (for example Japan, Taiwan and Korea) through the lenses of first colonialism, second the role of income inequality, and third the subsequent socio-economic transformation, he observes that whereas the former were in general as rich as the latter or even wealthier between 1820 and the 1960s, a clear ‘reversal of fortune’ occurred in East Asia in the 1960s and 1970s, with the gap between them getting wider ever since. The key point of departure was that during the decolonisation period, some of the North-East Asian countries (Taiwan and Korea) undertook radical land reforms that equalised income and helped their countries break away from the negative colonial legacies, while most South-East Asian countries inherited ‘extractive colonial institutions’ that perpetuated income inequality.³ Hence, according to Kim (2009), the economic successes in North-East Asia happened following the radical rupture from the colonial legacy.⁴

Kim (2009) shows how the decolonisation period in East Asia (1940 to 1960) was associated with significant declines in per capita income as disintegrating colonial administrations left the region without growth, reflecting uneven economic development. However, since the 1970s, the paths of the two regions diverged as the gap between North-East and South-East Asia emerged, implying that what happened during this second period of the independence phase explains

2 Kim (2009) criticizes much of the literature on East Asia for taking the developmental state institution as exogenous, neglecting its link to socio-economic factors that may be correlated with economic development.

3 Japan also implemented a radical land reform programme during the Meiji restoration of the late nineteenth and early twentieth centuries.

4 With the exception of Singapore, the first generation developmental states are from North-East Asia.

the reversal of fortunes. This suggests that ‘the developmental state is not manna from heaven’, and as Haggard notes, ‘the problem is deeper. The preoccupation with institutions, and the functionalism in much institutionalist thinking, has obscured more fundamental political and social processes that are themselves determinants of institutional form and quality’ (quoted in Kim 2009:390). Hence, the issue of the endogeneity of institutions, the extent to which they were caused, and influenced, by factors inside the system, becomes necessary as a basis to fully appreciate the conditions that led to the emergence of the ‘developmental state’ such that the successful economic outcomes may not be solely attributed to the nature of the state apparatus and the industrial policies pursued.

The point is that income distribution, which is shaped by history and supported by institutions in society, is a major cause, and not a result, of long-term economic growth. In this regard, historical institutions that determined inequality and undermined sustainable economic development perpetuated income distribution and shaped post-colonial development. This is the case because extractive colonial institutions were created to benefit the ruling elites, and hence entailed high levels of inequality. While the colonisers left following independence, the institutional structure and social organisation were left intact. The key issue then is whether or not the post-independence indigenous elites maintained these unequal colonial legacies.

With the exception of Vietnam, which underwent a social revolution, all the South-East Asian countries inherited the existing colonial institutional structure and pursued ‘neo-colonial rule’ with the neo-colonial elites using the inherited colonial institutions to defend their privileges. In contrast, Korea and Taiwan went through a different mode of de-colonisation, implementing the most comprehensive reforms during the 1950s that equalised income and resources. Rodrik (1995) also notes that by the 1960s, South Korea and Taiwan stood out with their exceptionally equal distribution of income and wealth as a result of long-standing historical reasons and the serious land reforms implemented during the 1950s, and he argues that these initial conditions account for a large part of these two countries’ economic performance since 1960. Thus, prior to the developmental state (*c.*1960), income and land inequality in Japan, Korea and Taiwan were the lowest among developing countries. For Kim (2009), income equality is positively associated with the likelihood of having a ‘developmental state’, which emerged only after such equality had been attained. The World Bank Commission on Growth and Development underscores the importance of equity and equality of opportunity as key ingredients of sustainable growth strategies (World Bank, 2008: 60).

A recent IMF Discussion Note observes that income inequality and the distri-

bution of income matters for growth and its sustainability (see Dabla-Norris et al., 2015). Inequality is found to negatively affect growth and its sustainability. In its analysis, an increase in the income share of the top 20% is associated with declining GDP growth over the medium term, suggesting the failure of the benefits to trickle down. Conversely, raising the income share of the bottom 20% results in higher GDP growth. Hence, they conclude that the poor and middle class matter the most for growth through interrelated economic, social, and political channels. One such channel through which higher inequality lowers growth is by reducing access by lower-income households to health, and limiting their ability to invest in physical and human capital. Inequality can result in poor households underinvesting in education, resulting in sub-optimal levels of labour productivity compared to what would pertain in a more equitable environment.

In addition, Dabla-Norris et al. (2015) cite studies that suggest a positive correlation between countries with higher levels of income inequality and lower levels of inter-generational mobility, with parents' earnings being an important determinant of their children's earnings. Furthermore, increasing concentration of incomes has the potential to reduce aggregate demand and growth, given that the rich tend to spend a lower fraction of their incomes than do middle and lower-income groups. Critically, inequality also dampens investment, and by implication growth, through its tendency to fuel economic, financial, and political instability. Extreme levels of inequality may generate mistrust and affect social cohesion, resulting in conflicts that discourage investment. Concentrating power in elites could also lead to inadequate provision of productivity- and growth-enhancing public goods. Finally, income inequality holds back the pace at which growth reduces poverty. Hence, Dabla-Norris et al. (2015) conclude that growth is less efficient in reducing poverty amongst countries with high initial levels of inequality or where the pattern of growth favours the rich. In the context of external shocks, high inequality exposes a greater proportion of the population to poverty. Critically, therefore, the income shares of the poor and middle classes constitute the main engine of growth. Hence, Rodrik (1995) estimates that almost 90% of the growth experienced by Korea and Taiwan since 1960 is as a result of the achievement of this threshold of income equality, concluding that there is nothing 'miraculous' about their experience.

2.3 THE NATURE AND CAPACITY OF DEVELOPMENTAL STATES

Having outlined the role of the initial conditions in the emergence of the developmental state, it is imperative to explore the nature and capacity of that state.

Its success was rooted in the concept of ‘embedded autonomy’, wherein the state was intimately linked to the private sector, while maintaining a sufficient distance to renegotiate its goals and policies when the interests of capital were not consistent with national development (Evans, 1995). Such autonomy also allows the state to use its capacities to design long-term economic policies without being encumbered by myopic claims of private interests (Mkandawire, 2001). This process is therefore driven and sustained through forging internal cohesion by way of broad national consensus among political elites, bureaucrats, and the private sector on development goals.

As such, Johnson (1982) situates East Asian development in the context of ‘late development’ and the region’s setting of revolutionary nationalism associated with war and imperialism which is largely reflected in Japan, South Korea and Taiwan. According to Johnson, nationalism in Japan was born out of a struggle with a stronger external power, with the state choosing economic development as a means to ensure national survival, to catch up and achieve parity with the West. While the Japanese nation had been mobilised for war, Johnson points out that it was never demobilised during peacetime. Hence, wartime nationalism was transformed into economic nationalism which gave legitimacy to state goals and policies and leveraged their delivery, (Woo-Cummings, 1999; Mkandawire, 2001; Ng, 2008).

Johnson (1982) contends that state control of finance was the linchpin of the developmental state in Japan, followed by labour relations, autonomy of the economic bureaucracy, the combination of incentives and command structures, and the existence of the *Zaibatsu* (industrial and financial business conglomerates which controlled significant parts of the economy; the equivalent of the *Chaebols* in South Korea, or Chinese business groups). In the cases of Japan and South Korea, the state controlled interest rates and bank loans primarily provided industrial finance rather than equity capital. Thus the Japanese state substituted for the missing capital markets during the post-war period, while at the same time inducing transformative investment decisions. The Ministry of International Trade and Industry (MITI) was given authority to approve investment loans from the Japanese Development Bank, allocate foreign currency for industrial purposes to import modern technology and machinery, provide tax incentives and regulate competition amongst industries. Thus, MITI, which also acted as a think-tank, was in a position to ‘maximize induced decision-making’ (Ng, 2008). Likewise, the developmental state in South Korea channelled capital, subsidised through foreign loans or low interest rates, to Chaebols, gaining legitimacy through interest groups moulded into a developmental coalition.

The developmental state’s bureaucracy in East Asia has several characteristics;

namely, (i) profits and investment depend on the decisions made by the state; (ii) extensive discourse on 'developmentalism', the necessity of industrialisation and of state intervention to promote it;⁵ and (iii) the bureaucracy being a powerful social group with predictable and coherent interests. In the case of Japan, the small state bureaucracy is recruited through public examinations from the top law schools, and is not affected by election cycles. It drafts the laws, regulations, and industrial policies, which it implements, and ensures highly regulated competition in selected sectors of the economy. Cooperation between the bureaucracy and business has been developed and adapted over time such that it responds in a flexible manner to new realities, as the role of the state diminishes (Evans, 1999; Ng, 2008).

The highly selective recruitment of the civil service in Japan, and the long-term meritocratic rewards created commitment and a high sense of corporate coherence and cohesion. This ensured that the behaviour of bureaucrats was inclined towards collective goals rather than individual opportunities and thus insulated the state from certain societal pressures. This coherence amongst the civil servants is further enhanced by both internal and external informal networks.⁶ Such ties are reinforced by alumni of MITI who end up in key positions in private corporations, quasi-government agencies or industry associations. Hence, within a sufficiently coherent and cohesive state apparatus, connectedness improves state competence instead of capture. In this context, the state became a critical partner of the private sector in the industrial transformation process, playing a catalytic role, with industry responding to the incentives and disincentives created by the state.

The Japanese model was emulated in varying degrees by South Korea, Taiwan, Singapore and Hong Kong. In the case of Korea, Syngman Rhee's regime had a more predatory thrust than a developmental one, with civil servants being 'specially appointed'. Because of the regime's dependency on donations from the private sector, rent-seeking behaviour was prevalent. It was only after Park Chung Hee ascended to power that the Weberian bureaucracy was revitalised, taking advantage of the strong reformist ideological convictions and close ties among the junior officers who masterminded the coup. As with Japan, the Korean Economic Planning Board (EPB) assumed the role of 'super-agency' that gave coherence to economic policy, with the close ties between the state and the largest conglomer-

5 As Mkandawire (2001) notes, the centrality of development is such that it acquires the status of an ideology ('developmentalism') that provides guidance to 'development plans'.

6 Internal networks relate to the ties amongst classmates from the elite universities recruited on the basis of strict selection criteria as opposed to clientelistic ties or loyalties. Externally, the administrative web is interwoven into the Japanese society since industrial policy relies on the relationship between ministries and industrialists.

ate business groups resulting in the use of the term 'Korea Inc'. Unlike in Japan, the embeddedness in Korea was top-down and focused on a small number of very large firms, hence the greater risk of rent-seeking (Evans, 1999; Ng, 2008).

Taiwan's experience is divergent from the Japanese model. As was the case with Japan and Korea, the Taiwanese state played a crucial role in the industrial accumulation process, channelling capital into transformative investments, inducing entrepreneurship and global competitiveness of local firms. State legitimacy is also associated with the emergence of a Weberian bureaucracy that was recruited on merit, strengthened by strong ties. However, the differences lay in Taiwan's historical experiences, whereby upon arrival on the island the Kuomintang (KMT) regime was determined to shake off its rent-seeking past, establishing elite economic policy organisations similar to MITI and EPB.

The regime's experience of being undermined by the interests of private speculators made it distrustful of private business, opting for state-owned enterprises (SOEs) for industrial development, particularly basic and intermediary industries. SOEs also served as a training ground for economic leaders of central bureaucracy, keeping the private sector out of economic policy networks. Hence, informal public-private networks were less dense compared to Japan and Korea, but were still significant to Taiwan's industrial policy. The KMT regime would gradually expose its 'greenhouse capitalists' to the market, tying export quotas to the quality and price of goods, while diminishing protection over time. The Taiwanese state was largely selective in its intervention, choosing to conserve rather than overextend the state apparatus (Ng, 2008).

In the case of Singapore, the economic bureaucracy was developed in the 1970s to revise incentives in order to attract new investment into high value-added industries and away from labour-intensive ones. The bureaucracy controlled factor prices, providing land, investing heavily in human resources development and supplying funds for technological R&D. Through incentives, the state induced TNCs to invest in higher value-added operations that created high-wage jobs. The task of soliciting foreign investment, directing it into strategic sectors and maintaining ties with international business clientele, lay with the Ministry of Trade and Industry (MTI). The state possesses an institutional capacity to bargain long-term with all sectors of the economy, with SOEs specifically required by law to break even (Ng, 2008).

Critically, patterns of state-society relations in East Asia differ from those in the West, with the lines being blurred between public, government and market. Thus, the concept of developmental states implies that the government and private industry are in a mutually beneficial relationship. The state establishes incentives and disincentives that guide and direct private investment, with the

success of the enterprise reinforcing state legitimacy. Tellingly, as Johnson shows, the source of authority in the developmental state derives from ‘revolutionary authority’ – the authority of a people that are committed to the transformation of the social, economic and political order. Thus, Mkandawire (2001) deduces two critical components of a developmental state; one ideological, and the other structural (see also ECA, 2013). The ideological underpinning of a developmental state is ‘developmentalist’, in that its ‘mission’ is to ensure high rates of accumulation and industrialisation; the structural aspect relates to its capacity to effectively implement economic policies. Thus, in a developmental state, the elites must be able to establish an ‘ideological hegemony’ such that its developmental project becomes a ‘hegemonic project’, enticing key stakeholders to embrace it voluntarily. Critically, the state’s legitimacy stems from its ability to promote sustained economic growth and structural change in the production system (Mkandawire, 2001).

While the concept of developmental states has also been used to describe any state that presides over a period of economic development and improvement in living standards, Ng (2008) contends that this is misplaced: equating a booming economy with a developmental state is problematic where the economy is driven by external factors such as exports of primary products or inflows of aid. ‘Rather, the developmental state not only refers to the collective economic and human development, but also describes the state’s essential role in harnessing national resources and directing incentives through a distinctive policy-making process’ (Ng, 2008).

2.4 KEY POLICY STRATEGIES OF DEVELOPMENTAL STATES

Dansereau provides a useful summary of the key tenets of the development strategy employed by NICs as including the following:

- Industrialisation through export-led manufacturing;
- Strong educational focus to build skills and domestic capacity;
- High savings and investment rates;
- Effective state model where state institutions helped build a national economy against protective barriers and economic incentives; spurred by internal social cohesion between the state and economic elites around economic and social objectives; and
- Cheap wage policy, limiting union building and political dissent (2014: 6).

As highlighted in Dansereau (2014), the NICs employed three key strategies at odds with the neo-liberal prescription in which developing countries are advised

to open up their economies with little protection. First, the NICs developed domestic industries based on state protection via tariffs, export subsidies and other support from state institutions. Such trade protection and controls were only gradually removed as domestic industrial capacity developed. While they initially started by focusing on producing technologically simple labour-intensive goods (e.g. clothing, textiles, sports goods, toys and processed foods), they later moved into more capital-intensive and technologically sophisticated goods primarily for export markets (see Chang, 2003). To help provide the requisite technical skills, high educational attainment was a crucial part of this strategy. In addition, high domestic savings were used to finance high rates of domestic investment (see Rodrik, 2006; UNECA, 2015).

Second, institutional development played a crucial role, with such organisations being expert-based, coherent bureaucratic agencies that collaborated with organised private sectors to drive their economies forward. These agencies combined meritocratic promotion with competitive selection and relatively low levels of corruption. External threats, resource constraints and security threats helped to promote public-private consultative mechanisms that turned into high-level linkages with organised private actors, resulting in broad elite coalitions. Powerful state development agencies were created to lead the process, generating strategic information flows within and between the public and private sectors that enabled bureaucrats to assist firms to compete in the global marketplace. This way, industrial deepening was facilitated simultaneously with export promotion.

The basis of the effectiveness of the developmental state was its ability to combine state autonomy and embeddedness in a mutually reinforcing manner, safeguarding the state from capture by particular interests that would undermine its internal coherence and ability to interact with its economic partners. It is through its embedded autonomy that the state can strategically and selectively intervene in the sectors, products, markets, technology, etc, deemed crucial to the future of industrial growth and transformation. Hence embedded autonomy has been seen as the institutional foundation of the developmental state that capacitates it to respond quickly and effectively to rapidly changing global conditions (see Edigheji, 2005).

Clearly, therefore, at the helm of this strategy was centralised authority with the power to penetrate society – an authoritarian developmental state. Critically, the developmental state model is a return to a statist approach to development. Its defining features are well summarised by Dansereau as follows: ‘The developmental state then is a state with capacity, institutional strength and “determination”, capable of taking advantage of the conditions in which it finds itself and especially for the successful introduction and implementation of industrial

policies' (2014: 9). Hence, the Asian tigers achieved spectacular progress by doing the opposite of what the World Bank prescribed; selecting and disciplining industries, connecting bureaucrats to businesses, and 'getting relative prices wrong' (Amsden, 1989).⁷ As Chang (2003) reminds us, successful state intervention in the economy is not only a feature of East Asia, but was applied even by the developed economies during the early stages of their industrialisation (including England and the USA) (see also UNECA, 2015, Box 3.3, p. 80).

Third, the accumulation model of these authoritarian developmental states was such that in the early stages, high savings rates were squeezed from a low-wage policy that was enforced through an authoritarian approach to dissenting voices, and in particular labour. Thus, the East Asian developmental states combined the attributes of both state effectiveness and undemocratic authoritarianism. The social cohesion between the political and economic elites deliberately excluded the popular classes and in fact tended to silence dissenting voices, and was pro-capital (see Chang, 2012).

3.0 DEMOCRATIC DEVELOPMENTAL STATES IN THE TWENTY-FIRST CENTURY AND AFRICA

The dominance of neo-liberal policies since the early 1980s resulted in the despondent discourse or prognosis that 'developmental states' were not possible in Africa given the pervasive clientalism, rent-seeking and economic dependence (Mkandawire, 2001). This discourse placed faith in unbridled markets and a minimalist state, insisting on a dichotomy between state and market, which were presented as rival entities (World Bank, 1981; 1995; 2000). As Mkandawire (2001) observes, much of the literature on Asia, especially from neo-liberal scholars, takes for granted the creation and allocation of rents by the state that were central to the emergence of a nationalist capitalist class and in promoting accumulation. He argues that the tendency to use 'rent-seeking' behaviour as evidence against a more active 'developmental state' is misplaced. In his view, what matters is to ask 'rents for whom and with what reciprocal obligations for their recipients?' The question therefore becomes whether wealth collected in the form of rents can be transformed into capital through productive investment, in which case what is wrong are not rents per se, but rather rents attached to the wrong strategy.

On the issue of 'embedded autonomy', Mkandawire (2001) contends that since colonialism had suppressed the emergence of an African capitalist class, the national bourgeoisie played a marginal role during the liberation struggle, and hence could be marginalised in policy-making after independence. In the absence

7 The World Bank would have emphasised the mantra 'stabilize, privatize and liberalize' (see World Bank, 2008; Rodrik, 2006).

of a large indigenous capitalist class with sizeable capital, organisational resources and entrepreneurial skills, there was no impetus to form an alliance with such classes in the post-independence development project. Thus, the use of fear of 'capture' to preclude an active developmental state is tantamount to blocking the possibilities in Africa of accelerated development through deliberate efforts of the state to govern the markets, and mobilise and allocate resources and rents for developmental purposes.

To avoid clientalism and rent-seeking, African states have been squeezed both fiscally and politically such that they are unable to perform basic functions due to demoralisation, moonlighting and corruption, which are then used as evidence that African states are not capable of being developmental. This is reinforced by policies that continue to weaken the economic and political capacity of the African state, yet market failures so prevalent in developing countries warrant government intervention. As such, by the 1990s, the African state was the most demonised institution, vilified for its weakness, over-extension and interference with markets, its repressive character and its external dependence. There was a pervasive Afro-pessimism. It was reduced to a 'rentier state', 'over-extended state', 'predatory state', 'patrimonial state', 'prebendal state', 'crony state', 'kleptocratic state', 'parasitic state', the 'lame Leviathan state', etc. The neo-Marxist scholars had seen it as a 'petty bourgeois state', neo-colonial state', and the 'dependent state' devoid of capacities. Thus, arguments against the replication of the Asian developmental state in Africa included (i) the dependency syndrome; (ii) lack of ideology; (iii) the 'softness' of the Africa state and its proneness to 'capture' by special interest groups; (iv) a lack of technical and analytical capacity; (v) the changed international environment that did not permit protection of industrial policies; and (vi) a poor record of past performance (Mkandawire, 2001: 294).

Mkandawire (2001) points to the disjuncture between the analytical tradition that insists that developmental states are not possible in Africa, while imposing governance and institutional reforms that presuppose their existence by insisting on roles beyond their capacity, character and political will: 'the pessimism of the diagnosis and the optimism of the prescription' (2001: 289).⁸ This approach makes the concrete analysis of the states' character less important than the normative prescription of what they should do. By offering 'one-size-fits-all' prescriptions, International Financial Institutions (IFIs) have failed to recognise

8 This neo-liberal approach of the International Financial Institutions (IFIs) was codified by Williams (1990) into the Washington Consensus, which was augmented by a long list of so-called 'second-generation' governance and institutional reforms to become the Post-Washington Consensus. Rodrik (2006) argues that by insisting on the implementation of this laundry list of reforms, this approach is tantamount to a spray-gun approach which fails to identify and target the most binding constraints.

the vast differences in economic performance amongst African states, and within countries over different time periods. Mkandawire concludes that Africa has had examples of countries (e.g. Botswana and Mauritius) whose ideological inclinations were clearly ‘developmentalist’ and which pursued policies that produced fairly high rates of growth, social gains and accumulation of capital, suggesting that developmental states are not totally alien to Africa. ‘The experience elsewhere is that developmental states are social constructs consciously brought about by political actors and societies’ (Mkandawire, 2001: 310). For instance, the capable bureaucracies of East Asia were not gifts, and were not the result of some cultural-ethnic attributes or some deeply rooted historicity, but were specific institutional arrangements – hard-won and under constant construction – between the states and different classes that underpinned the high accumulation model. Furthermore, such appropriate institutional structures did not always exist, and hence could be socially engineered (see ECA, 2013).

3.1 EXPANDED SPACE FOR DEBATE ABOUT DEVELOPMENTAL APPROACHES

Chang and Grabel (2014) observe that since the 2000s, there has been an expansion of policy space for development. They argue that while the Asian crisis of 1997-98 placed some countries of the region under the orbit of the IMF, forcing them to undergo conditional assistance premised on stringent macroeconomic policy contraction, market flexibility, privatisation, and economic openness that gave foreign investors access to hitherto protected areas such as banking, others in Asia and developing world sought to insulate themselves from such pain and humiliation. As a consequence, East Asian countries started exploring alternatives to the IMF, with proposals to establish an Asian Monetary Fund. While the proposed Fund did not materialise due to tensions between Japan and China, the IMF reportedly suffered a loss of purpose, standing and relevance, with the demand for its resources at a historic low in the early 2000s. In 2005, only six countries had standby arrangements with the IMF, and between 2003 and 2007 its loan portfolio had shrunk from \$105 billion to less than \$10 billion, shrinking further as the loans associated with the East Asian crisis were repaid (Chang and Grabel, 2014). Consequently, the IMF softened its oppositional stance on policies that regulate international movement of capital – capital controls. At the same time, the World Bank started relaxing its traditional opposition to industrial policy.

As discussed earlier, the World Bank conceded that after almost two decades of implementing SAPs in developing countries, economies of Sub-Saharan Africa (SSA) failed to take off, with a few success stories that more than a decade later were considered fragile (World Bank, 2005; 2008). These two ground-breaking

reports refrain from promoting one-size-fits-all formulaic blueprints, insisting on policy diversity and a cautious experimental case-by-case approach informed by the need to deal with the most binding constraints on growth rather than a long list of reform areas beyond the capacity of most developing countries (see also Rodrik, 2006; 2007).

Instructively, the World Bank (2008) refuses to refer to the high performing economies as ‘economic miracles’, cautioning that their experience can be explained, and hopefully repeated, as there is much to learn from these outliers. As it states so potently, ‘when Japan grew at this pace, commentators said it was a special case propelled by postwar recovery. When the four East Asian tigers (Hong Kong, China; Taiwan, China; Singapore; and Korea) matched it, skeptics said it was only possible because they were so small. When China surpassed them, people said it was only because China was so big. In truth, the sample is remarkably diverse’ (World Bank, 2008: 20). The report argues that in most cases, the countries experimented, learning quickly from their mistakes, citing the reform-minded leader of China, Deng Xiaoping’s dictum of ‘crossing the river by feeling for the stones’. In the developmental states of East Asia, the task of ‘feeling for the stones’ was left to highly qualified technocrats in small, dedicated planning agencies. In the case of Singapore, the future looked bleak at independence, with high unemployment and non-existent industry, which caused Prime Minister Lee Kuan Yew to write of that experience, ‘I started out with great trepidation on a journey along an unmarked road to an unknown destination’ (quoted in World Bank, 2008:29). Hence Krugman (1994), Chang (2003) and Rodrik (2006), among others, concluded that there is nothing mysterious about the Asian ‘miracles’, as their experience can be explained, and can offer lessons to aspiring economies.

The global financial crisis of 2008-09 provided the sternest test for the hitherto dominant neo-liberal strategies. The large-scale bailouts of banks and large fiscal stimuli packages implemented by Western governments to stem the crisis and stimulate recovery raised new questions about whether this economic orthodoxy and the economic framework it provides is appropriate to deal with current economic, social and environmental challenges. The clarion call to ‘roll back’ the state that featured prominently in the SAPs promoted by the World Bank and IMF was starkly reversed in the manner the US, European and emerging market governments responded to the crisis. The idea that the state must simply facilitate economic organisation, management and decision-making by the private sector was exposed to be impotent in the face of the global crisis. As a result, some of the dominant global media and even the private sector cried out loud for the state to intervene to reverse the worst crisis seen since the Great Depression.

Following the crisis, the IMF has entered the debate, accepting that a re-think of macroeconomic policy is required. In an appropriately titled paper, 'Rethinking Macroeconomic Policy', it laments that 'we thought of monetary policy as having one target, inflation, and one instrument, the policy rate. So long as inflation was stable, the output gap was likely to be small and stable and monetary policy did its job. We thought of fiscal policy as playing a secondary role, with political constraints sharply limiting its de facto usefulness. And we thought of financial regulation as mostly outside the macroeconomic framework' (see Blanchard et al., 2010: 3). This recognition that there can be multiple targets in a macroeconomic strategy, and that these can be achieved through multiple instruments, is critical. In particular, the recognition of fiscal policy as a significant policy tool, especially in times of crisis when counter-cyclical measures are warranted, and when monetary policy often reaches its limits, is a worthwhile development.

In the aftermath of the crisis, the IMF issued its own bonds, for the first time in its history, which allowed the G20 and BRICS (Brazil, Russia, India, China and South Africa) to contribute substantial funds to the IMF, raising their profile and leverage, which resulted in greater calls for governance reforms. Tellingly, the failure of austerity measures to sustain recovery in Greece has sparked debate on the efficacy of such interventions. The IMF forecasts as part of Greece's first bailout programme in 2010 had predicted that the nation could cut deeply into government spending and quickly bounce back to economic growth and rising employment. However, an IMF Working Paper argues that the institution recommended slashing budgets too fast early in the euro crisis, starving many economies of much-needed growth. It admits that: '...forecasters significantly underestimated the increase in unemployment and the decline in domestic demand associated with fiscal consolidation' (Blanchard and Leigh, 2013: 18).

Chang and Grabel (2014) note the emergence of diverse financial architectures across the global South as well as the emergence of shifts in economic power in the governance of the global economy, with the World Bank acknowledging the trend towards 'economic multipolarity' as the traditional global powerhouses of the USA and Europe face severe challenges. Spurred on by the long-standing dissatisfaction with Bretton-Woods institutions, the BRICS Heads of State Sixth Annual Summit Meeting in Fortaleza, Brazil in July 2014 agreed to establish a New Development Bank (NDB), which was launched at the Seventh Summit Meeting in July 2015. The NDB would finance infrastructure and 'sustainable development' projects, based on an initial capital injection of \$50 billion with equal contributions of \$10 billion from each of the five members, with a \$100 billion Contingent Reserve Arrangement (CRA) (\$41 billion from China, \$5 bil-

lion from South Africa and \$18 billion from each of the others) to assist members in financial difficulties. Similarly, the establishment of the Asian Infrastructure Investment Bank (AIIB) in October 2014, with an initial paid-up capital of \$50 billion and authorised capital of \$100 billion, backed by at least 21 countries in the region, is seen as a rival to the World Bank and Asia Development Bank.

These increasingly assertive and autonomous developments have opened spaces for greater creativity and innovation in implementing alternative policies, renewing the options for new developmental states. While acknowledging the pressures to maintain neo-liberal policies emanating from the IMF, World Bank and World Trade Organization (WTO), Chang and Grabel insist that ‘it is both fatalistic and incorrect to act as if their power and influence are absolute and immutable’ (2014:203). They advise advocates of alternative economic policies not to take the current rules of the global environment as a *fait accompli*, arguing that it is possible and necessary to rewrite them, difficult though it may seem. Policy coordination through regionalism would reduce the costs and risks of policy experimentation among developing countries.

3.2 RELEVANCE FOR TODAY: FROM THE ‘DEVELOPMENTAL STATE’ TO THE ‘DEMOCRATIC DEVELOPMENTAL STATE’

Since the concept of ‘developmental states’ emerged as an attempt to draw lessons from the experiences of the NICs for other developing countries, the question that arises is the relevance of the model, especially the authoritarian aspect, to contemporary developing countries. Evans (2008) suggests two interconnected propositions: (i) continuity – the ‘developmental state’ will continue to play a crucial role in economic growth and social transformation in the twenty-first century as it did in the latter part of the twentieth century; and (ii) successful twenty-first-century developmental states will have to depart fundamentally from existing models.

First, the understanding of the role of the ‘developmental state’ has evolved as development theory has changed, with growth theories based primarily on traditional capital accumulation no longer being sufficient. Increasingly, growth is multi-factor driven, with a focus on ‘endogenous’ growth theories that underline the impact of policy measures on the growth of an economy, and human capabilities. This makes the capabilities of the twentieth century developmental state relevant to twenty-first century needs, but inadequate, especially in view of the complexities of focusing on services that require investment in productive ideas and human capital.

Due to the ‘collective goods’ element in capability expansion, productive alliances with private capital, which has stronger alliances with transnational capi-

tal, is much more difficult to establish now than it was in the twentieth century. Furthermore, in the twenty-first century, the interlocutors and character of networks are different, as the efficient allocation of capability-expanding investment requires a much broader set of information than is required for the allocation of investments in plant and equipment. Accurate information on collective priorities at community level is critical for successful twenty-first-century developmental states. Engaging societal actors in implementation is as important in capability-expanding investments as is getting information goals from them, since such services as education and health are co-produced by recipients (Evans, 2008). As Sen (1999) argues, democratic discourse is the only way to adequately define the desired economic ends. Hence, to be effective, the twenty-first-century state has to be more responsible, achieve greater autonomy vis-à-vis the private sector and build more complex and demanding forms of 'embeddedness'. In short, it must be agile, active, resourceful and have the ability to act independently of private interests which seek to restrict the flow of knowledge. The institutional and capability approaches of the twenty-first century imply the central role of democratically deliberative institutions and broad-based connections between the state and civil society to ensure adequate flow of information required to guide the allocation of resources. While it may not be realistic to meet all the conditions for transformation, partial approximations to the ideal institutional models can deliver (Evans, 2008; Muchena, 2010).

Second, the historical context of development has changed, in that state-society relations can no longer be confined narrowly to ties with capitalist elites. In the post-cold war twenty-first century, the relevance of the authoritarian developmental state has been questioned. Edigheji (2005) challenges the idea that autocratic behaviour is important in building state capacity, arguing that what is critical is the ability of the state to use its autonomy to consult, negotiate and build consensus with social partners. Hence, some scholars have elaborated an alternative concept of the 'democratic developmental state' (see White, 1995; Robinson and White, 1998; Mkandawire, 2001; Edigheji, 2005 and 2010; ECA, 2013).

While the democratic developmental state retains the autonomous institutional nature of the developmental state, it places emphasis on an inclusive approach to public policy-making, where the social basis and accountability go beyond a narrow group of elites. Hence, 'the democratic developmental state is one that forges broad-based alliances with society and ensures popular participation in the governance and transformation processes' (Edigheji, 2005). Citing the examples of Brazil, India, South Africa, Mauritius and Botswana, Fritz and Menocal (2007) argue that democratisation and increased developmental orientation of

the state can happen at the same time. For White (1995), the authoritarian route is made difficult by domestic and international pressures, an observation that sits well with the post-cold war emergence of governance and institutional reforms as part of lending conditionalities. Furthermore, universal education and the spread of information and communications technology are potent factors behind democratisation, as evidenced by the Arab spring of 2010-12 and events in the Middle East. Mkandawire (2001) is hopeful that as ‘social constructs’, developmental states are within reach of countries ravaged by poverty and underdevelopment and finds encouragement in the two most cited examples of ‘democratic developmental states’ being from Africa (Botswana and Mauritius).

The Alternatives to Neo-Liberalism in Southern Africa (ANSA, 2006) argues that the development process should be looked at in a holistic manner, implying the need to consider three basic factors:

- The ‘social factor’, meaning how people’s basic human rights are safeguarded and how vulnerable people are protected against poverty and exploitation;
- The ‘democratic factor’, meaning how the political system functions, how decisions are made and implemented, how resources and opportunities are distributed and how justice and fairness is achieved;
- The ‘global factor’, meaning how the system works at the global level, how decisions are taken and implemented, how global resources are controlled and distributed and how this global system affects Africa.

It argues that such a strategy can only be achieved when the approach adopted deals with all three factors at the same time. It cannot succeed when society fails to ensure human rights for all, or if it fails to secure free political participation and a fair distribution of resources. In addition, it will not succeed if it fails to limit the influence of the global forces. Hence, there is need to promote the social and democratic factors by fulfilling working people’s material and social needs and by creating a system of governance that is democratic and accountable, while at the same time minimising imperial interventions by the global actors. ANSA (2006) also contends that development must lead to a better life for working people and eradicate poverty, which can only be achieved if development is based on the promotion and protection of human rights, which include: (i) political or civil rights (‘blue rights’); (ii) economic rights (‘red rights’); and (iii) social and cultural rights (‘green rights’).

All such rights need to be ensured and defended at all times as mutually inclusive; one form of right cannot be enjoyed in the absence of the others. A people-centred development strategy has to address the issues of direct concern to

the people such as land reform, food security and sustaining livelihoods. Such a strategy should also deal with issues of equity and fairness in the distribution of resources at local, national, regional and global levels and the provision of social services such as water, energy, health and education, which cannot be guaranteed for all if they are left to market forces. ANSA (2006) therefore argues for a state that is developmental as well as ethical, responsible and accountable to the people. Such a strategy will also – of necessity – need to contend with and address issues of gender inequalities and discrimination against women.

Thus, a democratic developmental state is one that not only adheres to the principles of electoral democracy, but also ensures that citizens participate in the development and governance processes, implying a recourse to not only representative democracy, but also complementing it with participatory democracy. In view of the divergent interests in society, there is therefore a need for citizens to organise themselves, particularly the marginalised and vulnerable groups. This ensures that the objectives of redistribution and the reduction of inequality are placed at the centre of the development process. Thus, the democratic developmental state fosters pro-poor, broad-based economic growth and humane development. This implies that the state is not only able to transform its productive economic base, but to ensure that economic growth improves the living conditions of the majority of its people. As highlighted by the African Charter for Popular Participation, such people's organisations should be grassroots-based, voluntary, democratically administered, self-reliant and rooted in the tradition and culture of the society; they are community-embedded (see Edigheji, 2005).

The institutional attributes of democratic developmental states enable them to promote and achieve better economic performance. As with the developmental state, the democratic developmental state has two key features: the 'autonomy' of state institutions that enables it to define and promote its strategic developmental objectives; and its 'embeddedness', which reflects its ability to form alliances with key social groups in society that help it achieve its developmental goals.

For ANSA (2006), states can only play their developmental role with the existence of supportive institutional arrangements, including:

- A key planning agency as the custodian of the development strategy. It must steer the economy toward particular outcomes and thus needs a fairly high degree of control over economic developments;
- A distributional agenda for the redistribution of assets, economic opportunities and income;
- An efficient bureaucracy with a high degree of skills, integrity and commitment;

- Consultative and participatory structures that facilitate inclusiveness in the development process; and
- Structures for obtaining up-to-date information on economic, social, cultural and political developments.

In May 2010, the Open Society Initiative for Southern Africa (OSISA) organised a conference on the prospects for democratic developmental states in Southern Africa. The conference emphasised the need for the new developmental states in Africa to be democratic; social transformation to be at the centre of any democratic developmental state; addressing dispossession, inequality and poverty as preconditions for any meaningful democratic developmental state; recognition of people as ‘the beginning and end’ of the development process; the importance of popular support and participation ‘from below’; selective delinking from globalisation to promote a more endogenous development path; long-term planning, a strategic vision and the ability to implement; redistribution of resources; ability to control foreign capital; a rights-based approach to development; a broader, participatory democracy; and an industrialisation and development strategy based on ecological considerations such as the use of renewable energy and the use of natural resources on a sustainable basis.⁹

4. THE STRUCTURAL ROOTS OF UN- AND UNDER-EMPLOYMENT, INEQUALITY AND POVERTY IN SOUTHERN AFRICA: THE NEED FOR A DEVELOPMENTAL INTERVENTION

In order to understand how best to apply developmental state thinking to Southern Africa, it is also important to understand the nature of the economy in Southern Africa. A body of literature has argued that economies in the region can be described as being enclave economies where the formal sector has a growth momentum of its own, and is related to the non-formal sector in ways that marginalise and impoverish it. Mhone (2000) traced the perennial problem of under-utilisation of resources, implying underdevelopment in Southern Africa to the enclave growth emanating from the structural legacy of economic dualism. This lack of internal linkages amongst sectors explains the vicious cycle of perpetual under-employment afflicting the majority of the labour force, and especially women. The evolving social formations suggest the co-existence of the dominant capitalist and pre-capitalist modes of production in the formal and non-formal segments of the economy respectively, that were fused together into an uneasy

9 These recommendations were re-emphasised at a regional conference organized by OSISA in collaboration with UNECA, Southern Africa Trust (SAT), and UNDP on ‘Building Democratic Developmental States for Economic Transformation in Southern Africa’ on 20-22 July 2015 in Pretoria, South Africa.

and tenuous co-existence.

The capitalist part of the economy is the formal sector, while the pre-capitalist part is the non-formal sector. The non-formal sector therefore accommodates the remnants of pre-capitalist forms of production (non-productive labour). An important requirement for development under capitalism is therefore the need to capture non-productive labour into its realm of operation. This way, a dynamic impulse is imparted to social relations based on the imperative of capital accumulation. Thus, the disruption of pre-capitalist relations imparts to a country the potential of internally driven growth. The issue is that while both developed and developing countries have elements of productive and non-productive labour, it is the predominance of non-productive labour in developing countries that constitutes the major problem. In other words, the tragedy in most African economies is that the majority of its labour force, mainly women, is trapped in pre-capitalist forms of production which are not driven by the need to employ labour to generate profit and the further expansion of capital. Apart from the under-utilisation of resources, and especially labour, another legacy of colonialism is the absence of an internal dynamism for growth and transformation since the economies are dependent on, and constrained by, external factors. In the absence of an internally motivated and conscious process of transformation, growth would marginalise not only the majority of the labour force, but also the developing country itself in the international arena.

The enclave economy resulted in three broad economic sectors:

- a) The formal economy, which consists of capitalists and wage workers and caters for the minority of the labour force. This sector consists of enterprises of various sizes (either state-owned or privately owned) and is relatively productive compared to the other sectors. External forces such as Africa's trading partners and foreign investors shape the output and the production methods.
- b) The urban informal economy has become a permanent feature in many African countries. It is characterised by easy entry and exit and driven by self-employment. Informal enterprises are run by small groups of people, productivity and wages tend to be low and the sector absorbs surplus labour from the rural and formal sectors. Overall, about a third of Africa's labour force is involved in informal sector activities but in several countries the informal economy has become the 'mainstream economy.'
- c) The rural (or communal) economy is the original, or pre-capitalist, sector, which exists in several variations. Pre-colonial African societies ranged from non-hierarchical communal societies to feudal societies that were

class-based. Levels of technological development also differed significantly. The communal sector is highly differentiated although the majority of households are involved in low productivity farming and other work. Surplus generation is low and is primarily used for consumption, not accumulation. In most African countries, the majority of households are found in this sector, (see Ghose et al., 2008).

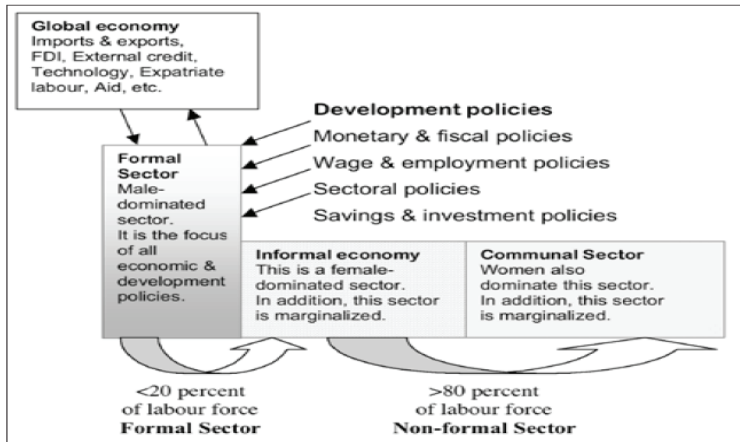


Figure 1.1 Illustration of the Dual and Enclave Structure of the Economy in SADC

Source: ANSA (2006: 31-32).

With its close links to the global economy through exports, imports, foreign direct investment, aid and technology, the formal economy enjoys relatively high incomes, while the rural/communal sector provides surplus labour for both the formal and urban informal sectors, and has the lowest income levels (see Lewis, 1954). Underdevelopment is reflected in the inability of the formal sector to generate adequate jobs for the surplus labour in the rural and informal sectors, which are unable to achieve the high productivity that can generate surpluses. This can only change if the current distortions within the African economies and the nature of their link to the global economy are addressed. Mhone (2000) identifies several factors that perpetuate the enclave economy and the resulting under-development in Africa:

- **External** dependency manifested through flows of trade, capital, technology, information and human resources, underpinned by a global institutional and ideological structure.
- **Distributive** inefficiencies reflecting unequal access to productive assets (land, capital, intellectual property, social capital, human capital and infrastructure) that favours developed countries relative to the domestic formal sector, and the formal sector relative to the non-formal sectors.

Furthermore, assets in the non-formal sector which could become productive are not generally given recognition in legal and value terms either domestically or internationally.

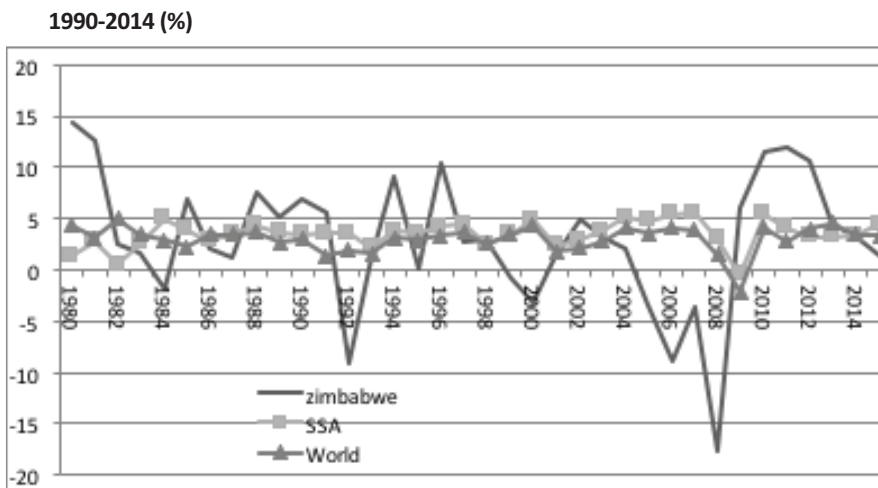
- **Allocative inefficiencies** which make the formal sector unnecessarily capital and technology intensive (thus reducing its requirements for labour) while the non-formal sectors tend to be without capital or technology, thus making productivity increases almost impossible.
- **Technical inefficiencies** that limit the adaptations that can be made to production techniques and the nature of products and services produced, which in turn prevents the establishment of value chains and other linkages across sectors of the economy. Thus, levels of productivity of labour, capital and land tend to be low compared to optimal methods of production.
- **Sectoral stagnation** whereby in the absence of adequate investment to transform the non-formal sectors, the communal sector will tend towards stagnation, while the urban informal sector will tend towards stunted growth, creating a false 'full employment' scenario where labour appears to be fully employed and yet not gainfully remunerated. For this reason, official unemployment figures in most countries in the region are too low to be true.
- **Demand deficiency** associated with the fact that a large segment of the labour force is engaged in low productivity activities, which implies that effective demand is low, limiting the market for formal activities to expand. In addition, this deficiency in effective demand makes the formal economy more reliant on external demand, reinforcing dependency.
- **Limited internal savings** associated with the fact that a large segment of the labour force cannot engage in productive activities and hence they live close to subsistence levels and cannot save. If they do, their savings are not captured through financial intermediation due to financial exclusion, and hence the reliance on foreign investment and foreign aid.
- **Gender inequalities** whereby the subordination, exploitation and exclusion of women are directly linked to the historical division of labour in production, reproduction and care. In the absence of a new template, such gender-based inequality has persisted since independence.
- **Asymmetry between national, regional and international growth and development needs:** As a consequence of the above problems, African countries find themselves in a dilemma whereby disarticulations at the national level, coupled with external dependency, militate against effective

tive regional cooperation and national development (see ANSA, 2006).

SADC economies are thus characterised by dualism, a legacy that has been reinforced by the formal sector bias of colonial and post-colonial policies. The ‘trickle-down’ effects from the formal sector are too weak to transform and absorb these sectors into formal activities, so market forces on their own would simply perpetuate this dualism, even in the presence of some growth. As such, the inefficiencies of the enclave economy and the lack of linkages between sectors and value chains, require a complete paradigm shift if endemic structural unemployment and under-employment are to be addressed. This requires a shift towards a labour-absorbing growth path as the starting point. The process of structural transformation therefore implies that an increasing part of the labour force that is currently in the non-formal sectors must be drawn into productive activities so that more of the population can contribute to the creation of internal demand, savings and re-investment. An important aspect of this is to create value chains as a component of auto-centric development, a development strategy based on meeting a country’s own economic and social needs first; the production of goods and services is geared primarily towards the domestic and regional market with exports playing a secondary, supplementary role. In this regard, a proactive role of the state is needed to integrate the non-formal economy and endogenise the growth process in a manner that allows the majority of the labour force to be in productive activities.

Figure 1.2 shows the growth performance of SSA, SADC and the world over the period 1990-2014. On average, the world economy experienced a higher rate of growth of 2.7% during the period 1990-99 compared to an average of 1.9% for SSA and SADC. However, the 2000s witnessed a reversal of fortunes, with SSA growth at an average of 5.2%, and the SADC region at 4.9%, higher than the world average of 4%. As a result, the influential magazine, *The Economist*, which a decade earlier had characterised the continent as a *hopeless* case, changed its prognosis in its December 2011 edition to ‘the hopeful continent: Africa rising,’ which has captured the global imagination. However, this rising and robust growth was not sufficiently employment-rich and pro-poor. This is associated with the sources of growth in SSA (and SADC) which were often agriculture and services, and in resource-rich countries, oil and mining activity, with the manufacturing sector playing a minor role. The manufacturing sector in Africa is relatively small, contributing on average only about 10% to GDP. In fact, the share of manufacturing in GDP in SSA fell significantly from 16.7% in 1991 to 11.1% by 2011; it is now lower than it was in 1980.

Figure 1.2 Average annual GDP growth rates (Sub-Saharan Africa, SADC and World),



Source: World Development Indicators, World Bank (various years).

Countries with low per capita incomes and those with high resource endowments have very small manufacturing sectors, often around 5% of GDP or less. The share of workers in industry in SSA is extremely low, estimated at less than 10%, compared to at least 20% in all other regions and over 30% in East Asia. Agriculture remains the main source of employment in SSA, employing around 60% of its labour force, with its share in GDP much smaller at an average of 25% owing to relatively low levels of productivity and earnings. Thus, the high proportion of jobs in the primary sector is a reflection of a lack of structural change and of productive jobs. The 2012 *African Economic Outlook*, whose theme was on promoting youth employment, showed that despite steady growth the continent's ability to offer economic and social opportunities to its youth has not matched its demographic dynamism, resulting in failure to reap the 'demographic dividend' (see Filmer and Fox, 2014). The 'demographic dividend' is associated with a demographic transition when falling birth rates change the age distribution of a country such that fewer investments are required to meet the needs of the dependent population. As such, during this period the labour force grows more rapidly than the population dependent on it, thereby releasing resources for investment in economic development and family welfare, resulting in faster per capita income growth. This dividend period is estimated to last for five decades or more (see Bloom et al., 2003).

The East Asia and the Pacific region's experience points to the potential growth-enhancing effect of this 'youth bulge' in the population as it was associated with a fall in the dependency ratio from 1.1 working-age adults supporting a dependent in 1965 to 1.8 by 1990. Thus, it has been estimated that a third

to half of the economic growth that East Asia and the Pacific enjoyed was a ‘demographic dividend’ associated with the changing population structure. This transformed the economy through two channels: (i) the increased availability of workers; and (ii) continued expansion of the working-age population relative to the total population, resulting in decreased dependency ratios that fostered increased savings, providing a pool of investible resources that spurred growth (Filmer and Fox, 2014).

Between 2000 and 2013, the share of vulnerable employment (own-account workers and contributing family members) averaged 77.9% of all employment in SSA compared to the world average of 49.6%.¹⁰ Thus, the quality of jobs in SSA is of concern, with the working poor and vulnerable employment being the highest across all regions (see ILO, 2013; 2014; 2015). While many African countries have taken measures to diversify their economies, progress has been slow, with structural transformation still in its formative stages (see AfDB et al., 2013; UNECA, 2015). Hence, SSA faces a formidable challenge of creating more and better jobs, by sustaining high economic growth and making it more inclusive through a more rapid *structural transformation* – a process whereby a higher proportion of labour shifts from low-productivity to high-productivity sectors, the ‘structural bonus’ (see ILO, 2013; 2014; UNECA, 2015).

The high levels of inequality and poverty demonstrate a failure of the state in Southern Africa, especially considering that the region is endowed with rich mineral resources and in theory has the potential for transformative development. Eight of the SADC countries have income gini coefficients above 0.50. Four of the ten most unequal countries in the world are from Southern Africa (Seychelles being 1st, Namibia 3rd, South Africa 4th, and Zambia 6th).¹¹ Instructively, the average income of the richest 20% of the population is 29.7 times that of the average income of the poorest 20% of the population in Honduras, the worst in the world, followed by Bolivia at 27.8, Comoros at 26.7, South Africa at 25.3, Namibia at 21.8, Brazil at 20.6, Colombia at 20.1, Guatemala at 19.6, Lesotho at 19, and Seychelles at 18.8 (UNDP, 2014). High levels of inequality are undermining the potential positive impact of SSA’s economic growth.

For those countries with data on the percentage of the population below the national poverty line, eight of the SADC countries have levels above 50%, namely, Madagascar (75.3%), Zimbabwe (72.3%), DRC (71.3%), Swaziland (63.0%), Zambia (60.5%), Lesotho (56.6%), Mozambique (54.7%), and Malawi (50.7%)

10 The percentage of those in vulnerable employment in SSA declined from almost 80% in 2000 to 76.6% by 2014 (see ILO, 2015).

11 Seven of the world’s ten most unequal societies are African (see UNECA, 2015: 56). Africa is the second most unequal continent in the world after Latin America, with high inequality persisting for over 60 years, with no visible sign of declining (AfDB et al., 2015)

(UNDP, 2014). Though the levels are below 50% for Namibia (28.7%), Tanzania (28.2%), South Africa (23%) and Botswana (19.3%), they are still too high. Even in Botswana, that has been touted as ‘one of Africa’s great development success stories’ by the World Bank, despite sustained high growth, inequality and poverty remain unacceptably high for an upper middle income country. About 45% of the 277 million people in the 15 SADC countries live on less than \$1 a day, with a ‘worrying disconnect’ between economic growth and poverty levels. Filmer and Fox (2014) observe that whereas a percentage increase in average per capita consumption in SSA was associated with a reduction in poverty of 0.69%, in other parts of the world the reduction averaged just over 2%, implying that growth in the former is not as pro-poor as in the latter.

In terms of human development, only two countries in SADC are in the high category (Mauritius and Seychelles), with four in the medium (Botswana, South Africa, Namibia and Zambia) and the remainder in the low category.¹² According to the 2014 Human Development Report, SSA and South Asia have the lowest regional HDI values at 0.502 and 0.588 respectively, while the highest are for Latin America and the Caribbean (0.740), followed by Europe and Central Asia (0.738), with the world average at 0.702 for 2013 (see Table 1.2). When the HDI is adjusted for inequality, the average global loss in HDI value is 22.9%, with Sierra Leone (44.3%), Angola (44.0%), Namibia (43.6%), Central African Republic (40.4%), Nigeria (40.3%), Guinea Bissau (39.6%), Haiti (39.5%), Cote d’Ivoire (38.3%), Botswana (38.2%) and Guinea (38%) experiencing the largest losses at country level world-wide. In fact, 12 SADC countries had losses in the HDI value after adjusting for inequality of more than 25%.

SSA has the largest losses associated with inequality in all three dimensions (33.6%), followed by South Asia (28%) the Arab States (24.9%) and Latin America and the Caribbean (24.5%). Europe and Central Asia, and East Asia and the Pacific have the lowest losses at 13.3% and 19.7% respectively. Comparing the African regions using data from the 2014 Human Development Report, West Africa had the largest losses in its human development value after adjusting for inequality (36.1%), followed by Central Africa (34.1%), East Africa (32.5%), Southern Africa (32.5%), and North Africa (26.9%). Interestingly, when the

HDI is adjusted for inequality, the four Southern African countries in the medium category drop into the low human development group, which implies that 13 of the 15 SADC member states are categorised as such. Gender inequal-

12 The Human Development Index, adopted in 1990 by the UNDP as an alternative to GDP, is a composite measure of average achievement in three basic dimensions of human development: a long and healthy life (life expectancy), knowledge (years of schooling) and a decent standard of living (income). The HDI value ranges from 0 to 1, with an index over 0.800 being the High group, between 0.500 and 0.800 the Medium and below 0.500 the Low.

Table 1.2: Loss in human development due to inequality and Gender inequality index (2013)

Region	HDI	HDI loss due to inequality (%)	Life expectancy at birth	Mean years of schooling	GNI per capita	Gender inequality index in %
Southern Africa	0.548	32.5	58.8	6.3	6749	42.4
West Africa	0.452	36.1	57.8	3.4	2272	61.7
North Africa	0.666	26.9	71.1	5.9	10,899	38.9
East Africa	0.461	32.5	60.4	3.8	1589	52.3
Central Africa	0.502	34.1	55.3	5.0	8104	62.4
Sub-Saharan Africa	0.502	33.6	56.8	4.8	3152	57.8
Arab States	0.682	24.9	70.2	6.3	15,817	54.6
East Asia	0.703	19.7	74.0	7.4	10,499	33.1
Europe & Central Asia	0.738	13.3	71.3	9.7	12,415	31.7
Latin America & Caribbean	0.740	24.5	74.9	7.9	13,767	41.6
South Asia	0.558	28.00	67.2	4.7	5,195	53.9
World	0.702	22.9	70.6	7.7	13,723	45.1

Source: UNDP (2014) and authors' calculations for the African sub-regions.

ity is worst in SSA (57.8%) followed by the Arab States (54.6%), South Asia (53.9%), Latin America and the Caribbean (41.6%), East Asia and the Pacific (33.1%) and Europe and Central Asia (31.7%). Amongst the sub-regions of Africa, gender inequality is worst in Central Africa (62.4%), followed by West Africa (61.7%), East Africa (52.3%), Southern Africa (42.4%), and North Africa (42.4%). In terms of gender inequality, only two Southern Africa countries have Gender Inequality Indices with a value lower than the world average of 0.451 (Mauritius at 0.375 and Namibia at 0.450).

Most countries in Southern Africa managed to achieve some progress in the period immediately after independence. This usually took the form of expanded social services reaching the majority of the population which had been deliberately neglected under colonial rule. However, there was no systematic transformation of economic structures, and the typical enclave economy persisted. Thus, in many countries of the region, poverty and inequality are high, particularly in countries in crisis such as Zimbabwe, Swaziland and DRC, but even agricultural economies such as Malawi and resource-rich countries such as Namibia, South Africa, Zambia and Angola have not been able to significantly reduce wealth gaps.

Social mobility and equal opportunity remain alien concepts for too many people in the region. There is a close and direct relationship between inequality and poverty and thus any attempt to deal with poverty has to address the question of inequality as well. It is essential that the issues of poverty and inequality are mainstreamed in all aspects of social and economic policy. Persistent gender inequalities in virtually all spheres of life – from customary practices and labour market discrimination to unequal access to social services and economic resources such as land – are still a defining feature of Southern Africa. This is reflected in the gendered impact of HIV/AIDS, which is still a major scourge in the region. Given the link between poverty, gender and HIV, it is hardly surprising that the epidemic has hit black working-class women and female peasants the hardest. This can only be altered through structural interventions that will empower women to change their socio-economic status (see Jauch and Muchena, 2011).

Widening disparities have increased the sense of injustice and deprivation for many, as neither resource-rich countries nor agricultural societies managed to substantially reduce inequality after independence (see Jauch and Muchena, 2011). Likewise, neither the bureaucratic, state-centred socialist form of government in Angola nor the market driven-approaches of countries like South Africa and Namibia were able to redress the colonial legacies of inequality and exclusion. A common feature of the macroeconomic policy frameworks in the region, buttressed by the SADC macroeconomic convergence framework, is the single-minded targeting of inflation at the expense of social goals such as em-

ployment creation and poverty reduction.¹³ There is thus no doubt that Southern Africa needs a fresh and different approach to solving the current socio-economic challenges.

Based on the colonial legacies of individual Southern African countries, these economies can be classified in a manner that captures the specific ways in which enclavity and economic dualism manifest themselves. Mhone (2000) grouped these countries as follows:

- Settler-based economies of Zimbabwe, South Africa, and to a certain extent Namibia, with a relatively highly developed formal sector;
- South Africa's periphery of Lesotho and Swaziland, and to some extent Botswana and Namibia, which are dependent on South Africa for imports and some employment and are members of the Southern African Customs Union that has been dominated by South Africa. To the extent that it is now more dependent on South Africa, Zimbabwe also overlaps into this group;
- Mineral rentier economies of Angola, Zambia, Botswana, Namibia and the Democratic Republic of Congo, which are dependent on a single or limited range of export commodities; and
- Agrarian economies of Malawi and Tanzania, which are among the poorest in the region and are dependent on a narrow range of agricultural products.

The overlapping nature of the categories serves to worsen the problems. For instance, Namibia and Botswana are both rentier and peripheries of South Africa, while Zimbabwe is both a settler-economy and is linked to South Africa as a periphery. Even where the economies are relatively diversified, the dependence on primary commodities emanating from agriculture and mining is still high, implying that the economies are still vulnerable to exogenous factors. Glaringly, the post-independence governments of Southern Africa reinforced the enclave structures inherited at independence, in the belief that the formal sector is the engine for economic growth. In the event, rather than the anticipated formalisation of the non-formal economy, it is the formal segment that has been increasingly informalised, with the effect that decent work deficits have worsened (ANSA, 2006).

5. TERMS OF REFERENCE OF THE COUNTRY CASE STUDIES

13 Within the SADC Macroeconomic Convergence Framework, the primary convergence target involves: (i) an inflation rate of 5%; (ii) budget deficit to GDP of less than 3%; (iii) public debt to GDP of less than 60%. The secondary targets entail: (i) international reserves of at least 6 months of import cover; (ii) real GDP growth of not less than 7%; (iii) current account to GDP ratio of less than 9%.

Based on the concept note, and the extensive deliberations at the project inception workshop held on 5-6 November 2013 in Johannesburg, it was agreed that six countries in Southern Africa should constitute the case studies, namely, three countries with a functional state with planning, policy and resource capacity (Botswana, Namibia, South Africa); a democratic but weak agrarian economy (Malawi); and two states facing systemic crises (Angola and Zimbabwe).

The overall objective of this project is 'to contribute to on-going debates (policy options) on democratic developmental states and advance a conceptual framework of what a developmental state in Southern Africa in the twenty-first century should entail in order to address the current crisis of unemployment, inequality and poverty.' The specific objectives are to:

- Assess the current state of the state in the countries of the region against criteria of a democratic developmental state as set out in this chapter;
- Identify barriers and opportunities to developmental state interventions in the countries of the region; and
- Explore and outline state interventions required to address unemployment, inequality and poverty and point out possible areas for developmental interventions to overcome the legacies of apartheid, colonialism, neo-liberalism and the enclave economy.

Each of the country case studies was required to address the following key themes and questions:

- **Typologies and Processes of State Institutions and Actors:** What historical orientations of the state have emerged around different developmental strategies, and what are their characteristic dynamics, management practices and rules, overarching principles and developmental outcomes? What impact have inherited institutions, their capacities and their bureaucratic actors, had on post-independence development models, and how have they mediated new dynamics, demands, externalities and the broad context of change (i.e. the sociology of state institutions)?
- **Dynamics of Policy Processes:** How are policies formulated, implemented, monitored and evaluated in the context of shifting political and social interests and forces; vulnerabilities to external imperatives; national demands, expectations and resistance? What roles have civil society and social movements played in influencing change and leading or engaging in policy debates? In what ways has the state mediated civil society interests, and vice versa? Which kinds of civil society organisation have emerged to play central developmental roles and how did this relate to the national developmental models?

- Understanding ‘Growth’: What has been the growth experience in historic perspective; which sectors grew, which policies enabled variable patterns of sectoral growth, and what structural changes have been experienced (e.g. from low productivity such as communal agriculture and informal, to high productivity sectors including services and industry)? What inter-sectoral linkages have been formed – or been broken? Has that growth been associated with employment growth, and what kind (quality) of employment?
- Consequences and Beneficiaries of Growth: Who is benefiting from growth; are new groups emerging around growth where it has happened; how – mediated by what kind of state policies, structures and political processes? What has been the impact on inequality and poverty?

The case studies were guided by a common approach, which entailed the following:

- Empirically interrogate the concept of democratic developmental states in the countries of Southern Africa.
- Adopt a historical political economy approach overall and a methodology based on triangulation according to the countries’ specific conditions.
- Undertake a comparative analysis based on a shared set of common investigative data points, institutional and policy process analyses, and specific illustrative examples of developmental interventions – with positive or negative outcomes.
- Employ a rigorous academic approach as well as one which aims to identify, strengthen, support and empower agents for change engaged in policy advocacy and lobbying. Key beneficiaries of this project will include vulnerable and marginalised groups, especially women, youth, people with disabilities etc.

The case studies in this book examine the role of the state regarding development processes in Southern Africa, pointing to the structural constraints that uphold high levels of un- and under-employment, inequality and poverty and possible ways to redress them. Special attention was given to the macro-economic framework as well as redistributive policies, social protection, and state interventions to achieve particular social and economic goals such as employment creation or poverty reduction. At the heart of this work is the need to identify and promote the required interventions and transformative steps to be carried out by Democratic Developmental States in order to achieve the ideals of the democratic struggle for independence and a better life for all. The study’s overall aim is thus

to point to the types of state interventions needed to overcome the current development crisis in Southern Africa.

For the purpose of this study, the following working definitions of key terms were applied to ensure comparability of the country case studies.

‘State’ shall refer to the institutional and social relations within a defined political and geographic area or territory. The concept of state is broader than government, which is an organisation that has the political power to make and enforce laws and policies for a defined territory. A state is not a neutral entity but the outcome of particular historical processes and social relations. As such it refers not only to institutions but also to ideologies and interests that shape these institutions, including institutions of government, and administrative, economic, legal, and cultural institutions.

‘Development’ shall mean a multidimensional process involving changes in structures, attitudes and institutions as well as the acceleration of economic growth, the reduction of inequality and the eradication of poverty. It entails ethical development that does not violate human rights but instead promotes equity (substantial equality between groups and social classes), inclusion (a broad-based approach to growth and development), human security (promotion of stability and minimisation of the vulnerability of people), and sustainability (less environmental destruction); and human development (as reflected in the absence of poverty and deprivation).

‘Democracy’ shall refer to transparent, consultative, participatory and accountable governance, based on a ‘bottom-up’ approach.

‘Democratic Developmental State’ shall mean an ethical, transparent, participatory and accountable state that is underpinned by a developmental ideology and a serious commitment to deploy its administrative and political resources to the task of achieving socio-economic development. The particular features of a democratic developmental state thus include:

- Development-oriented political leadership with a high level of commitment and will to attain economic and social development and to reduce inequality and poverty;
- A highly competent, professional and committed bureaucracy with a strong planning capacity that is able to implement developmental policies and programmes;
- Political legitimacy to take developmental decisions, for example the process followed to determine developmental goals and whose interests they serve;
- The state not only regulates markets (which are political constructs) but also directly influences the operations of the market;

- The state provides a vision for society and creates the institutions required to achieve this vision;
- The state defies the principle of international comparative advantage and instead focuses on the development of productive capacities and human development based on social needs;
- The state has social anchoring and robust societal institutions to prevent it from behaving in a predatory manner (democratic oversight to ensure the attainment of socially desirable development outcomes);
- The state mediates conflicts around the development trajectory between various interests with a view to ensuring the broadest possible support.

6. STRUCTURE OF THE BOOK

While the first Chapter looks at the concept of developmental states in historical perspective, it makes the case for a transition from the autocratic states of the twentieth century to democratic developmental states in the twenty-first century in order to meet the complex challenges involved. Chapter 2 examines developmental states from gender perspectives, while Chapters 3 to 8 are based on the six country case studies, each of which follows the outline below:

- i) Brief overview of the history of dispossession as well as the resulting levels of poverty and inequality.
- ii) Brief analysis of state interventions after independence.
- iii) Identifying shortcomings since independence and the need for developmental interventions that promote structural transformation from low productivity activities to high productivity activities.
- iv) Analysis of the potential for developmental state interventions, considering the various political, social and economic factors involved.
- v) Identifying the obstacles to developmental state interventions (internal and external).
- vi) Drawing a country-specific conclusion based on the above analysis.

The last chapter provides the synthesis and way forward.

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2

THE STATE IN SOUTHERN AFRICA: A CASE FOR PLACING WOMEN AT THE CENTRE

Alice D. Kanengoni

1. INTRODUCTION

Women and girls represent approximately 52% of southern Africa's estimated population of 277 million people,¹ yet research consistently shows that they have largely remained on the margins of state plans, policies, programmes and envisioning, and, consequently, on the margins of development processes and outcomes. When assessing the state of the state in southern Africa, it is imperative to apply gendered and feminist lenses. A glance at most of the policies and programmes that anchor democratisation projects and shape development paradigms in the region shows that these have remained largely gender blind and unresponsive to the needs of women and girls. As a result, the high levels of inequality, poverty, disease, citizens' disenfranchisement, food insecurity and other challenges that characterise a significant number of countries in the region have all carried a woman's face. It is therefore critical to analyse the underlying causes of this – with a genuine desire to address them – if the region is to realise the dream of people-driven sustainable development.

There have been, in recent decades, increasing arguments for states that are not just democratic but also developmental in their architecture, to fully deliver and meet the needs of citizens in a sustainable manner.² This conjures up questions about what would fundamentally change in the quality of life, especially of those most marginalised, if states were democratic and developmental. And addi-

1 <http://www.sadc.int/about-sadc/overview/sadc-facts-figures/>

2 Mkandawire (2007).

tionally, would democratic developmental states in southern Africa, for instance, position women and girls more favourably than – for argument sake – capitalist developmental or authoritarian states? And perhaps more directly, how would a democratic developmental state avoid perpetuating the glaring gendered inequalities that characterise most southern African countries today?

This chapter poses these questions, and makes a case for democratic developmental states that are pro-poor, as well as gender responsive. It provides an overview of the current status of women and girls in the region, a power analysis that sheds light on why this is so, and makes recommendations for a transformative agenda that is characteristic of democratic developmental states. It also argues for a need to change the existing power structures and policy architecture at various levels, if southern African states are to become truly democratic developmental states that drive national development, and posits that if states in southern Africa are to be democratic and developmental, they need to address the issue of inequality – especially gender inequality. Patriarchy has invariably colluded with capitalism over the years to marginalise women from participating in and benefiting equitably from development processes.

2. HISTORICAL BACKGROUND: A HERITAGE OF INEQUALITY AND MARGINALISATION

A history of colonisation and dispossession in various forms exists in all countries – and the resultant poverty and inequality has significantly shaped the quality of life of different social groups in the region. Invariably, this pattern placed women on the furthest margins of participation and benefiting from development processes. It is also important to note that southern Africa is predominantly patriarchal, and men enjoy power and privilege over women. A combination of the colonial legacy of inequitable distribution of economic and other resources based on race – often implemented through displacement; state sovereignty over resources such as land; pluralistic legal regimes guiding allocation of key assets and resources; cultural practices that discriminate against women and girls, and a culture of denying women a voice on key issues that affect them; poor governance by the now independent states, often characterised by centralised governance structures and systems that lack transparency; and corruption – have all shaped the realities of women in the region today. This meant that with the end of colonisation and the new era of independence, women and girls started off at a disadvantage throughout the region.

It is also important to note that the states in all the countries under review have adopted complex structures of leadership and governance, often incorporating semi-formal and formal local governance structures under the leadership of com-

munity heads, village heads, chieftaincies, and district and provincial structures and institutions – all dimensions of the African state which are not neutral in the manner they interface with gender, women's participation, rights and livelihoods.

3. CURRENT STATUS OF WOMEN AND GIRLS

The ideals of developmental states as articulated in Chapter 1 – if attained – arguably lay the foundations for a better quality of life for all citizens. However, without a feminist view of how these pillars are established – systematically assessing how each affects and impacts women and men, boys and girls, the elderly and other social groups – the resultant democracy will benefit only a few. Feminist lenses expose the often underlying and hidden causes of, for instance, feminised poverty, inequality, and the perpetual poor quality of life among women and girls. Such lenses also expose who is making decisions, on what issues and the driving motives behind these, and – more importantly – the resultant impacts on the various social groups. This approach has been important in understanding how states in the region have positioned women and clarifies the reason why women and other vulnerable groups need to be at the centre of democratisation projects.

This approach also ensures that states tap into and benefit from the agency of the majority of its citizens – women – and highlights the high cost of not including them. Historically, women in most countries in the region participated in liberation struggles – challenging discrimination and pushing for inclusive states. Their contribution to the realisation of independence of their respective countries cannot be overemphasised.³ As such, the debate is not so much about whether they can contribute to shaping the agendas of democratic developmental states; rather, it is about the structural barriers that systematically inhibit them from participating in these processes. It has been established that it is smart economics to invest in and include women in development processes.⁴ Yet, the pattern has invariably been that women have largely remained excluded and their agency not been recognised in state projects for democratising and transforming decades of inequality, disenfranchisement and poverty in the region.

As a result of the gender blindness and systematic exclusion of women, their situation in most countries in the region is deplorable. Inequality gaps, especially gender inequality, are widening despite many countries having positive economic growth and development. Women and girls remain the poorest, the least literate, and make up the bulk of the unemployed across the region. Particularly disadvantaged are those in rural and remote areas, as these often constitute indigenous

3 Azikiwe (2010).

4 Ngozi Okonjo-Iweala, then Managing Director of the World Bank in Washington DC, speaking at the World Economic Forum in Davos, 2009.

communities who are left out of policy and planning. The situation of indigenous women and girls in Botswana, DRC, Angola, Namibia and Zimbabwe is a case in point.

Most governments have used women in development (WID), women and development (WAD), gender and development (GAD) and most recently, mainstreaming gender into policies, programmes and response strategies, with limited success.⁵ As a region, SADC prioritised institutional mechanisms to ensure gender equality, and many do have ministries, desks and offices of women as part of cabinet portfolios. However, in most cases these have remained under-resourced. As a result, government strategies for addressing the situation of women have not brought about change in the quality of life of women.

The 2012 Africa Progress Report⁶ identifies five key global trends shaping the lives of people on the African continent: shifts in economic and political power, food and nutrition security, inequality, land rights, urbanisation and the youth surge. It is important to note that all these (which can be grouped as socio-cultural, economic and political) are equally trending in the southern Africa region generally, and particularly in a number of the countries under review. Invariably, women and girls are the worst impacted across these, as an analysis of their status in the economic, political, and socio-cultural spheres will demonstrate.

3.1 WOMEN'S SOCIO-ECONOMIC STATUS: THE LEAST IMPROVED IN THE LAST DECADES

Women's economic empowerment speaks to their access to productive resources such as markets, finance, land and other assets, and the assessment of inheritance, marital laws and social norms that bear on their ability to participate fully and meaningfully in the economic activities and processes that shape the quality of their lives. Although SADC states identified women's economic empowerment as one of its critical areas of concern,⁷ not a single country in the region has significantly changed women's economic positioning in the past two decades. Women have very limited access to finance. Daniels (2014) states that in Africa, more than 70% of women are excluded from access to financial services because the significant contribution of women as economic agents is largely ignored and unacknowledged.⁸ The social and economic status of women in the region today is a

5 For a discussion on WID, WAD and GAD, see Rathgeber (1990).

6 The Africa Progress Report is the Africa Progress Panel's flagship publication. Its purpose is to provide an overview of the progress Africa has made over the previous year. Through the report, the Panel recommends a series of policy choices and actions for African policy makers who have primary responsibility for Africa's progress, as well as vested international partners and civil society organisations.

7 SADC and SARDC (2006).

8 Daniels (2014).

product of residues of the legacy of economic inequalities of the past (as aptly described in Chapter 1) as well as forces at global, regional and national levels today.

Not many governments in the region have prioritised the so-called second generation rights (socio-economic rights) and third generation rights (women's and environmental rights) in their development agendas. There is a general pre-occupation with first generation rights (civic and political), despite evidence that the major threats to citizens – especially women and girls – today sit in the second and third. This polarity has been widened by the implementation of Structural Adjustment Programmes (SAPs) in a number of countries, which invariably led governments to cut the little they were investing in social services – especially in health and education, which are particularly gendered.

3.1.1 Women's access to land: a matter of life and death for many women

At the regional level, access to land remains a key economic factor, and the two key drivers of economic development, natural resource extraction and agriculture, both hinge on access to land and related resources. Land has been the key economic resource for women historically. Yet, there has been a marked increase in foreign interest in land on the continent. It is significant that about 70% of all land deals in the past two decades, covering some 227 million hectares, have been in Africa, especially in Sudan, Mozambique, DRC, Ethiopia, Nigeria, Tanzania, Zambia and Madagascar.⁹ At the intra-regional level, South Africa has also made land deals, in Mozambique, DRC and Zambia. This is happening against a backdrop of weak land institutions in Africa, and poor land tenure systems that have no mechanisms and laws to track the deals and ensure protection of the future interests of the continent.

Although land reform has been a central focus of states' development strategies in the region, and addressing historical land dispossession has been a key imperative in this process, in Zimbabwe, Zambia and Namibia it has largely remained gender blind. Where there has been recognition of the need for a gendered reform process, for instance in Zimbabwe where there was commitment to a quota of 20% of land to be reallocated to women, the number of women who were actually allocated land remains low.¹⁰ Gender blind land tenure practices tend to leave women vulnerable as they have limited access to the land they rely on for their sustenance. Approximately 75% of land in Africa is under customary tenure¹¹ and this system is open to abuse and corruption and perpetuates the

9 An address made by Tsikata D., in 2012 at the Open Forum, gathering organised by OSISA, 2012. (See also <http://www.awid.org/News-Analysis/Friday-Files/Africa-s-Latest-Land-Rush-The-Effect-of-Land-Grabs-on-Women-s-Rights> .

10 Lopi (2015).

11 Odeny (2013).

victimisation of women.

This gender blindness is also demonstrated by the fact that governments have largely failed to implement policies that prioritise investment in small-scale agriculture, a sector that is dominated by women. For example, the majority of women in rural areas in Angola, Mozambique, Zimbabwe and Malawi rely on subsistence small-scale agriculture and in-country regional food trade for their livelihoods. Governments have instead given land concessions to foreign interests, often turning over agricultural land that women rely on for their sustenance to international agro-fuel interests.

Although women predominate in small-scale subsistence agriculture, in reality very few of them own and/or control the land they till. This is in spite of the fact that the AU Heads of State and Government endorsed a Declaration on Land Issues and Challenges in Africa, during their 13th Assembly in 2009, which commits to, among other things, improving access to land and strengthening the land rights of women on the continent. In Malawi for instance, only 4% women own the land they work on, which hampers their ability to make decisions about when and how to use it. In Zimbabwe, reports show that only about 18% of the beneficiaries from the A1 model were women, and only 12% benefited from the A2 model.¹²

The situation is exacerbated by changing climate patterns. The Intergovernmental Panel on Climate Change (IPCC) highlights that the African continent faces reduced crop yields of up to 50% by 2020, and increased water stress for 75-250 million people by the 2020s and 350-600 million by the 2050s.¹³ Zimbabwe – once regarded as the bread basket of the entire continent – is already struggling to feed its citizens. In Angola, about 70% of the food consumed in the country is imported.¹⁴ This makes it out of the reach of many women. Women have the biggest burden of sourcing and preparing food for families, and in such situations of food insecurity they are the worst impacted. The situation remains critical, as was confirmed in a recent article warning of a major regional food crisis.¹⁵

3.1.2 Limited access to other natural resources

In spite of this looming crisis, governments continue giving away arable land to foreign and local interests for agro-fuels and natural resource extraction. There is little indication of changes in policy to protect the food security interests of women and girls. Southern Africa countries are amongst the richest in the world

12 A. Mgugu, quoted in Odeny (2013: 7).

13 ACORD, Oxfam and ActionAid (2012).

14 UNCTAD (2013: vii).

15 'Drought to Hike SA Food Prices: Crisis Looms as Food Crops Fail', The Star, 1 July 2015.

in terms of minerals, forestry, oil, wildlife and marine resources. The region has witnessed a dramatic increase in extractive industries in countries such as DRC, Mozambique, Zambia, Angola and Zimbabwe, which has often resulted in the displacement of communities – with women and girls bearing the brunt of this.

Unfortunately, the revenues from these extractive activities rarely benefit the citizens in these countries, especially women. For example, in Angola, South Africa and Zimbabwe poverty indicators show that women and girls have grown poorer in the past decade. As clearly articulated by Women in Mining (WoMin) in a recent paper, in many ways women in the home, in the fields and in the workplace – largely in invisible and unremunerated ways – ‘participate in, shape, and contribute to the ambitions and profits of the extractivist industries.’¹⁶ There is no clear correlation between increased extractive activities (by implication increased revenue generation) and improved quality of life, especially for women and girls. Angola is a case in point: according to the Economist Intelligence Unit, its growth is expected to average 5.6% a year between 2015 and 2019.¹⁷ Despite being among the fastest growing economies in the world due to oil, gas and diamond revenues, the country is among the worst performers on the continent in terms of inequality and poverty. Over 70% of the population lives in poverty – the majority of whom are in the rural areas, where women are de facto heads of households.¹⁸ There is need to redesign the macroeconomic models that produce this kind of economic growth, and explore alternative pro-poor models that Kanyenze et al. (2011) have advocated for.¹⁹

3.1.3 Women’s ‘informalised’ economic lives

Most of the states under review have dual enclave economies, with a regulated but relatively small formal industrial sector and a mostly unregulated and larger informal sector. According to Kanyenze et al. (2011), one characteristic of such economies is low labour absorptive capacity, resulting in a vicious circle of underemployment affecting the majority of the labour force, especially women.²⁰ It is therefore not surprising that underemployment and unemployment are highly feminised in the region. For example, Angola, despite its fast growth, has one of the largest informal sectors in the developing world, and this sector provides the main occupation for over 70% of the women in the country.²¹

Although the problems of unemployment and underemployment are affecting

16 WoMin (2015) ‘Women Gender and Extractivism: Background Notes and Exploration of Key Concepts’.

17 <http://country.eiu.com/angola> (accessed 17 July 2015).

18 UNCTAD, (2013: 22,23).

19 Kanyenze et al. (2011: 5).

20 Ibid.

21 UNCTAD, (2013: vi).

both men and women in the region, women – especially young women – are disproportionately affected, unemployment among young women being especially high in South Africa, Namibia and Lesotho.

When governments formulate policies to support and boost economic growth, the informal sector is rarely prioritised or supported. Where the informal sector is the biggest part of the economy – and where women’s care work, their reproductive roles, and their contributions are unremunerated and/or unaccounted for – women become the worst affected by poverty.²² By incentivising the formal sector, governments indirectly but proactively destroy the viability of the informal sector.

There is also need to challenge macroeconomic frameworks such as the use of Gross Domestic Product (GDP) as a measure of economic performance, as this framework systematically ignores the contributions from women in the informal sector. The author has argued elsewhere that this economic framework masks gender inequalities and is part of the reason why poverty has consistently carried a woman’s face in the region and on the continent.²³

3.1.4 Women have become the social safety nets

Women do not fare any better in accessing basic social services. For instance, although education has been established as a core strategy for empowerment, girls’ education remains a key challenge in some countries – especially for girls in the rural areas where infrastructure is limited. The literacy rate for men in Angola is 82.7%, while 58.1% of women in the country were literate in 2010.²⁴ Access to social services deteriorated when a number of governments implemented SAPs, which led to significant cuts in budgets for education and health, leaving hospitals, clinics and schools in a dire state.

This has happened during a time when HIV and AIDS still pose serious challenges for women and girls in the region. For instance, young women between 15 and 24 years are six times more likely to be infected than their male counterparts.²⁵ According to UNAIDS, three-quarters of all Africans between the ages of 15 and 24 who are HIV-positive are women. South Africa, Swaziland and Botswana have the highest rates globally.²⁶ In other states such as Angola, there is a dearth of gender disaggregated data tracking the prevalence and impacts of the pandemic, leading to unreliable data and consequently ineffective gender responsive policies.

22 See Kanengoni (2014).

23 Ibid.

24 UNCTAD (2013: 15)

25 UNAIDS (2012).

26 Ibid.

In the absence of adequate government services, women have become the safety nets – providing home based care for sick relatives, pulling young girls out of school to do the same, as well as working and providing for their families. Through the home-based-care models and practices in response to HIV and AIDS and other health burdens typical of the region, women are taking full responsibility for the care and welfare of the sick and the hungry.

In almost all countries in the region, women have thus remained on the margins of socio-economic development.

3.2 WOMEN'S POLITICAL SITUATION: NO SPACE TO ENGAGE MEANINGFULLY

Although all countries in the region claim to be democratic and well governed, only a few such as Namibia, South Africa and Botswana could – arguably – be said to have relatively sound governance frameworks. The rest of the region faces challenges in upholding high levels of governance and a democratic ethos. For instance, Swaziland and Zimbabwe have had protracted crises of governance in the past few decades, with Angola and DRC in the process of transitioning from war to democracy. Such varied experiences of democratisation and good governance disproportionately affect women and girls, as these practices are built on the foundation of exclusive participation.

In 1997, SADC Heads of State and Government adopted the Gender and Development Declaration at a summit in Malawi. The Declaration had the modest aim of achieving 30% women representation in decision making by 2005 and seeking more representation until equality was attained. Yet, even this modest target was not achieved, and as a result of the pressure SADC adjusted this goal to 50% – in line with the AU commitment – but it still seems a struggle to achieve it. Gender Links research reports that the average proportion of women in parliament in the SADC region is 25.3%, and the region has shown an average of 7.5 points increase of women in parliaments over the last decade.²⁷

As such, women have largely remained on the margins of political participation and public engagement across the region. Electoral democracy has not served women well, as most electoral systems and models make it difficult for women to compete. Countries such as Malawi use the ‘Winner Takes All’ model, which disadvantages women; it is designed for political parties to field one candidate in a given constituency and since most political parties are dominated by men, it effectively means that very few women candidates are nominated for election at constituency level.

Other systems, such as the proportional representation (PR) used in South Af-

27 Gender Links (2012).

rica, Namibia, Angola, Botswana and recently Zimbabwe, although better, also discourage women's participation. Most political parties do not have quota systems to ensure fair representation of women on their party lists, due to histories of cultural discrimination against women's leadership. PR, however, is not necessarily proportional in terms of gender and women's representation, but only in terms of the number of candidates fielded and the number of votes they get. The mixed member proportional representation system used by Lesotho and Mauritius has also not really served women well, for historical and cultural reasons.

The media have also entrenched this marginalisation of women, mirroring the absence of women in parliaments, cabinet, private sector and others spaces, by having few women in decision-making positions in the newsrooms. Even in states where institutions are regarded as relatively strong and 'independent', race, class, and age remain key factors in how much space and voice women and girls can exercise and to what extent they can participate meaningfully in political and other processes.

States have not invested adequately in addressing these worrying gaps. Most have expressed commitment – through ratifying regional and international instruments, for instance – but there is a need for states to redesign all electoral systems, and processes that inhibit women from fully engaging in the public sphere of politics and decision-making. Current weak state institutions and poor or limited accountability mechanisms leave the voices and opinions of the majority – women – on the margins of decisions that affect them.

3.3 ACCESS TO JUSTICE: IS SEPARATION OF POWERS ENOUGH?

All of the countries in the region – except Swaziland – are credited with adhering to the democratic principles of separation of powers between the executive, the judiciary and the legislature. This principle is expected to guarantee checks and balances and provide accountability in the interests of citizens. However, even in the countries where the principle is respected, this has not automatically benefited women equitably, because the nature of the 'powers' has largely remained patriarchal and gender blind. The principle assumes that the *nature* of the power is healthy, and can bring about equality and equity for citizens, but this is not necessarily true for women and girls. Even where there is successful separation of powers, it is basically male power that is being separated, and women remain on the margins. Only when strong and independent state institutions are independent from patriarchy will they be truly democratic and developmental.

The failure to acknowledge this explains why, although Southern Africa is applauded for having relatively strong legal and policy frameworks designed to promote and protect women, women still battle to access justice in the region.

Women's movements in the region have made great strides in pushing for progressive laws and policies. For instance, SADC had a global first: providing a regional framework for gender and development in the form of the SADC Declaration on Gender and Development (1997), which has since been elevated into a binding protocol which almost all countries in the region have signed. Although this progress must be celebrated, it is important to understand what policy does in practical terms rather than what it looks like. For instance, while most member states have ratified the Convention on the Elimination of all forms of Discrimination Against Women, the African Charter on the Rights of Women, the Maputo protocol and others, there has been limited effort on the part of governments to domesticate these instruments. Only Namibia provides for automatic domestication, through Article 144 of its constitution; for the rest of the region, the international instruments have not taken root at domestic level. At national levels, constitutions invariably commit to non-discrimination and equality of all citizens including on the basis of gender, but the lived reality is a far cry from the paper proclamations.

One manifestation of the extent of this discrepancy is the escalating incidence of violence against women (VAW) – in all its variant forms – and the apparent lack of comprehensive response strategies by governments. There are marked increases of domestic, emotional, economic and sexual violence across the region, with Namibia, Botswana, Zimbabwe, DRC and Swaziland being among the worst. Recent studies by Gender Links (2013)²⁸ shows that the prevalence of VAW in the region is at alarming levels. Namibia recently reported epidemic levels of femicide, and sexual violence against women and girls is rampant in DRC and South Africa. Malawi, Mozambique, Zambia and Zimbabwe are cited among the worst offenders in terms of early and forced child marriages, and Malawi is cited as having the 11th highest rate of child marriage in the world.²⁹

All of these dynamics in the social, political and economic spheres are symptoms of states that are failing to protect women and girls' rights and interests. Democratic developmental states as defined in Chapter 1 will ensure that ideologies, policy frameworks, programmes and practice are all designed to ensure that citizens, regardless of race, class, age and gender are included and benefit equitably.

3.4 THE STATE OF WOMEN'S MOVEMENTS

Often in contexts such as those described above – where formal channels of engagement on issues of policy (such as parliaments and cabinet) are systematically closed – citizens' mobilisation into movements and interest groups plays a critical role in representing and amplifying the voices, especially of the marginalised.

28 Gender Links (2013).

29 UNFPA (2013).

Civil society organisations promoting and defending women's rights, and especially women's movements, have therefore played a key role in giving voice to women, and ensuring that women's issues and interests are placed on national development agendas. It is important to note that the above challenges are being experienced against the backdrop of weakening and struggling women's groups and women's movements. There is limited strength in the collective agency of women to put pressure on governments and other state institutions in demanding change.³⁰ State institutions have equally recognised and acknowledged this power of the collective. This is demonstrated in how they have collectively mobilised their peers e.g. forming collective regional blocs that have been both an opportunity and a threat to women's rights in the region.

4. STRUCTURAL TRANSFORMATION NEEDED AS A LEVER TO PULL WOMEN TO THE CENTRE

4.1 THE DYNAMICS OF POWER AND PRIVILEGE IN THE REGION

There is need for radical shifts in the structures and power architecture at play in the social, economic and political arenas, if southern African states are to draw women to the centre of development processes. This is critical because power is at the core of who participates and how they participate in democratisation projects. Any analysis that seeks to understand issues of inequality, injustice and violations of rights ought to unpack the power dynamics at play in the context. There are many ways of understanding power and the related concept of privilege in contexts of gender and development. Power is about control of resources (financial, and otherwise); ideas (especially whose ideas count and prevail and consequently who makes decisions, and when they can do so); power is about access to information and other related resources (who has access to what information, when and how); power is about who has voice and who is and is not able to speak and on what issues. As such, by changing the power structures, the dynamics of whose voice and ideas count, who makes decisions and who controls resources also change. As VeneKlasen aptly summarises it:

While the dynamics, boundaries, and actors continue to shift, the struggle for power continues to be fundamentally about access and control over resources and over the ideas that seek to legitimise who gets what, who gets left out and why. Today, the ferocious scramble to control and exploit resources – from land and forests to technology and human DNA – is a scramble for power, including a scramble for whose voice counts and what matters most where discrimination and oppression based on gender, race, ethnicity, class, sexuality, age, location and other factors come into play.³¹

30 For an analysis on the state of women's movements in southern Africa, see Wilson (2012).

31 VeneKlasen (2013).

An analysis of the power dynamics at play in the states in southern Africa, at national levels and regional levels, is therefore critical in understanding the current positioning of women in order to design response strategies that not only seek to change their current situation but also challenge and transform the power structures that position them. The patriarchal nature of the southern African community needs to be understood and challenged in order to effectively respond to and contribute towards sustainable change for women. To fully appreciate the lived realities of women and girls in such contexts, it is necessary to interrogate the sources of power, the forms of power, the positions of power, spaces of power, levels of power, faces of power, as well as the expressions of power.³²

Yet – and rather unfortunately – the conceptualisation of power is often not interrogated in the design of democratic states that can bring about sustainable development. It is often taken as a given – and in worst cases as neutral. But states by nature are not neutral as they wield power and do have interests and agendas to push and to protect. For that reason, there is need to dissect the nature of state power, and how the states exercise that power in designing and pushing democratic developmental projects and this will illustrate why women in southern Africa remain poor and marginalised.

There are always power dynamics that underpin thoughts, behaviours and actions. Feminists recognise this complexity of power and its dynamics and how this manifests itself in the marginalisation of women and girls: appreciating that power has multiple forms and is not always visible. I apply the same lenses to unearth the different forms of power, namely power over, power within, power with, and power to,³³ to interpret the lived realities of women in the region. I also use the visible and invisible power framework,³⁴ especially because invisible power is often the most difficult to challenge and transform. This acknowledgement is particularly important in gender analysis because some of the most potent manifestations of patriarchal power have been driven by invisible forces. Applying these power frameworks further sheds light on why women are on the margins, and points to what needs to shift if they are to gravitate towards the centre of development processes and programmes.

4.1.1 Power to: bringing one's agency to bear

This speaks of *power to do*; *power to be* and *power to influence* and *power to cause things to happen*. In the region, this kind of power has remained very male-centric due to the history of patterns in access to and control of most resources. As already established, very few women own land or mines and most

32 See VeneKlasen and Miller (2002); Chambers (2006); Vermuelin (2005); Gaventa (2006).

33 Batliwala (2012).

34 VeneKlasen and Miller (2002).

have little or no decision-making power over these assets, and as a result their *power to do* many things is curtailed.

State institutions remain the major *visible* power brokers in the region, drawing their powers mostly from the national constitutions and the laws of the land. All countries under review in this research have constitutions and relatively sound legal frameworks through which the states exercise their power. State institutions largely retain the *power to decide* on the priorities for all citizens and managing allocation of resources and using the tools of law, policy as well as their related agents such as the police, the army and others to enforce these decisions.

Therefore on the one hand we have state institutions and processes (which tend to be male dominated) designed to limit women's *power to do* and *power to be* and *power to shape and influence* processes, policies and agendas. On the other hand, the state wields significant power to make decisions and shape policies, and to decide the citizens' priorities etc., both internally and externally. However, there are discernible shifts in this form of state power: with external forces such as multinational companies (MNCs) increasingly capturing this power. It is also important to note that in the past few decades there has been an increasing web of new and mostly *invisible power* forces influencing and controlling state institutions' actions and decisions, making the power matrix more complex in the region. Generally, nation states seem to be losing power to corporates due to globalisation. This is seen especially in the power dynamics in the areas of trade relationships, natural and other resources, public goods and services as well as patterns in – and the nature of – investment. As such, states have increasingly sacrificed their citizens' interests in favour of, for instance, foreign direct investment (FDI) – often couched as leveraging economic development. African governments' policy sovereignty and their power to make policies that protect their citizens' interests have been significantly challenged. Multinational companies and donor interests have often prescribed aid and FDI conditionalities that do not protect these interests, but rather prop up dictatorships and promote the interests of the elite.

The most illustrative example of this shift in power dynamics can be observed in the extractives sector wherein the imperatives of capital often override citizens' and other interests. Southern Africa has experienced an increase in extractive industries and an increase in the power of multinationals – and especially Chinese companies. The relationships between states and these businesses are often shrouded in secrecy and there is limited accountability, resulting in broken relationships between governments and citizens.

In most cases, donor conditionalities on trade and investment have shaped and influenced state policies and actions, especially in the economic and business

sectors, to the extent that there is in some countries a complete blurring of lines between the state and business. The pressures to secure FDIs and the dependence of most governments on aid and grants to fund national budgets have all influenced the nature and processes of governments' policy formulation and decision-making, and limited state power to decide priorities and policies and to protect citizens' interests.

This pattern is an important one because for decades women's rights activists have focused on lobbying state institutions and the state as the key power brokers, and yet it is becoming increasingly clear that most of our governments (as arms of the state) have little power in light of global processes such as World Trade Organisation (WTO) negotiations etc., which in most cases has exacerbated the inequality between women and men in our part of the world; for example, as seen in the impacts of the African Growth and Opportunity Act (AGOA) on the textile industries in Swaziland, Lesotho and other countries. There may be a need to focus more on strategies to shift the not so visible power of corporate interests, and loosen state capture, so that women and girls can move to the centre.

Other spaces where this power imbalance exists, is in the manner in which donor priorities on emerging issues such as terrorism tend to have pushed citizens' – and especially women's and girls' – issues to the margins of national priorities. Donor responses have led to the reorientation of some country priorities to mirror these mostly global agendas. For instance, Swaziland has enacted anti-terrorism laws, although the country could probably do better by prioritising policies and responses to poverty, HIV and AIDS. Such invisible power has also been the key reason why there has been a marked deterioration in the funding available for women's rights work and organising across the globe.

As such, it is not surprising that despite the fact that SADC identified women's economic empowerment as one of its critical areas of concern, not a single country in the region can be cited as a best practice example in terms of translating this paper commitment into practice. There is no culture of gender budgeting in most of the countries. This is especially important now because southern African states have articulated a new blueprint for development projections in the next 50 years – the Africa Agenda 2063.³⁵ This development plan articulates a vision and strategies for 'transformation' and turning around Africa's economic outlook in the next five decades.

Transformative agendas require radical shifts in the design of power structures – especially *power to*. This is especially important in the context of transforming gendered relationships and putting women at the centre of development as envisaged in point 45 of the Agenda. While the seven key aspirations of the Agenda do

35 Africa Union (2014).

present opportunities for transformation, there is no convincing evidence in the document that African states are ready or willing to overhaul their internal power architecture in a manner that gives women meaningful *power to*. This latter requires a review of all state structures and institutions, including those such as the family, village, chiefs and other traditional leadership systems and structures that still discriminate against women.

Similarly, the Agenda 2063 ‘call to action’ offers no convincing appreciation of the need to overhaul power dynamics pertaining to women’s access to financial and other economic resources. The reality is that limited access to financial and other economic resources has been a major barrier to women’s economic empowerment. While there is acknowledgement in the Agenda of the need to reconceptualise and manage Africa’s resources, the call for action is silent on reconfiguring budgetary allocations and prioritising gender budgeting through people-driven processes. There is therefore a real risk that Africa might successfully redefine its economic relationship with the wider world, while internally the key economic resources still elude women and girls.

Yet another stark example is in the vision for transforming the agricultural sector. In alignment with the Protocol to the African Charter – to which all SADC states are signatory – Agenda 2063 acknowledges the need to ensure that the agricultural sector is developed through mechanisation, technology and access to land, water and more financial resources for women. This is critical as the continent is largely agrarian. Yet the Agenda envisages only ‘at least 30% of agricultural financing being accessed by women.’ The proposed ‘transformation’ in this sector therefore will not really change the women’s *power to*, but rather give them piecemeal change within the existing structures of male power and privilege. Real transformation would place the minimum at 60-70% of the finances targeted at women, as they are the majority in the sector. The Agenda 2063 vision offers little hope of changing women’s economic positioning, and consequently their quality of life, even in that distant future.

4.1.2 Power over: Spaces closing and women being pushed further to the margins

State institutions thus seem to find it easier to exercise *power over* citizens – especially women and girls – which is partly why poverty and underdevelopment carry a woman’s face across the continent, and certainly in the six countries under review. Although this form of power can be positively applied to guide, direct and protect, there has been a tendency to use it negatively, thereby closing the spaces for citizens’ engagement. There is also a worrying trend in the state institutions’ exercise of negative power over citizens, evidenced by the

increased militarisation of states, in Zimbabwe and, more recently, Lesotho and Swaziland, and this is a serious consideration in crafting responses that seek to create safe and meaningful spaces for women's political participation and decision-making.

Women and girls are also largely consumers and subjects of development policies and programmes rather than being at the centre of shaping them. For example, budget making processes remain blind to the gendered needs of women and men, with women bearing the cost of this blindness. Where women have attempted to make their voices heard through informal channels of communication such as marches and demonstrations, these have often been met with heavy repression, and physical and other forms of violence from state machinery. For instance, the Women of Zimbabwe Arise (WOZA) have often been arrested for mobilising women to demand better service delivery. Similarly, there have been women-focused curfews imposed by the police in some countries, aimed at controlling women's right to free movement.

Where women have found formal space in public office like parliament, cabinet and local government, they have not been able to contribute towards better policy and practice, as the institutions have remained largely male dominated in both ideological architecture and in practice. In some cases the women in these spaces have had limited capacity to engage with issues and push for gender responsive policies.

Part of the problem is that conceptualisation of leadership has largely remained male-centric and patriarchal across institutions and at all levels. As a result, governments and other institutions of the state have not invested in transformative leadership. Women's leadership – especially political leadership – remains a 'good to have' not 'a must have' in most states. This explains why even in the most progressive countries in the region, the number of women in leadership across the board has consistently declined, except in South Africa. There is no convincing and demonstrable political will to invest in women's leadership development, an investment which is necessary given the history of women's leadership being actively discouraged at all levels of social organisation.

The situation is no different at the local government levels of chieftaincies and village leadership authorities and in the social domain of the family, where women remain largely subject to patriarchal supremacy and privilege. For example, chiefs and village heads are largely men, and in most countries not gender responsive, as their decisions tend to be informed by custom, tradition and culture – which are in turn anchored to patriarchal ideologies, do not always adhere to the principles of human rights for all, and are in most cases in conflict with the constitutions. Similarly, within the family institution, decision-making about ac-

cess to and use of key resources largely remains the prerogative of men. Women's own productivity and mobility are restricted by other household duties. In the community, women are equally marginalised from the decision-making processes and cultural norms often prohibit them from owning land.

4.1.3 Power with: selectively used when convenient for state institutions

This is collective power, exercised collectively with others. There is an interesting trend whereby states tend to use this form of power selectively. For instance, the history of liberation shows that collective agenda setting brought women's agency to struggles against colonisation, in countries such as South Africa, Namibia, Zimbabwe and Mozambique. Women participated in liberation movements and their role was rarely a subject of debate, nor did it need any affirmative action programme. It was taken as given. However, at independence, the power dynamic often changed to 'power over', as women were not as equitably represented or as mobilised as when they were needed to fight. As such, women's participation in shaping the state agendas, direction and policies was not automatic. Feminists and women's rights activists have had to push for women to be included. State institutions seem to selectively recognise this form of power when it comes to voting – when they need women's numbers to support their agendas.

4.1.4 Power within: the least recognised and least developed by states

This form of power has not been encouraged or developed much, especially among women who have entered the state institutions that shape and influence policy. There has been little state investment in enhancing the skills and competencies of women and girls to develop their *power within* – for self-confidence, self-esteem and self-belief, all of which are important skills in competing equally for resources and opportunities. As a result, many of the states will include women as window dressing – to meet prescribed quotas and to appear to be fulfilling affirmative action policies – without genuinely seeking to enhance and tap into their agency.

Yet, it is only when individuals are able to tap into their *power within* that they can effectively exercise their agency to act and to demand rights, services and space. A lot of the investment in this regard has been made by civil society groups and private institutions such as Akina Mama wa Afrika, Leadership Wisdom Initiative (LWI) at the Search for Common Ground (SFCG), Femmes Afrique Solidarite (FAS), the Open Society Initiative for Southern Africa (OSISA) and the SADC Parliamentary Forum SADC-PF), all of which are primarily funded by donors. Investment in developing as well as harnessing women's power within is crucial to the realisation of truly democratic developmental states in the region.

5. SOME CONCLUDING RECOMMENDATIONS

It is necessary to develop a culture of putting people first and to move beyond rhetoric. Unfortunately, there is currently not a single example of this approach in the region. The region has made great strides in developing policy frameworks, but these have not translated into transformation on the ground. Historically and economically disempowered groups need to be shielded from internal and external economic forces, especially in agriculture and mining. There is also a need to twin affirmative action programmes with efforts to develop women's *power within*, their *power to* and harness the *power with* of women and girls for them to participate meaningfully. This needs to be coupled with challenging the macro-economic architecture and policies that push women into an 'informalised' economic status.

Models of engagement with the broader world need rethinking, especially those that leave out the contributions, aspirations and interests of women at grassroots and community levels. We must be more alert to global geopolitics and the impact they have on the lived realities of women – realities of captured states, powerful corporations and MNCs, and increasing foreign interests in the region. It is clear that the private sector is more interested in our continent than ever before. These often foreign interests are influencing geopolitics and wielding significant levels of power over our local politics and our lives. We need to interrogate their tabled as well as hidden agendas, creating states that enhance women's abilities to access resources, power and better livelihoods, and we need to invest in understanding the current and emergent loci of power and explore strategies to change that power for more inclusive participation and beneficitation.

There *are* positive narratives on Africa as a rising continent, mainly based on economic growth in a number of sectors in some countries, and on how the continent is increasingly positioning itself as not just a market, but also as a producer of human capital. There is need to analyse the extent to which women and girls – and other vulnerable groups – are indeed rising, given the evidence of their lives in the countries under review – which seems to show that Africa is rising for a few elite men, for business and for MNCs that are wielding both visible and invisible power. Against this background, there are key points in the Cochabamba Declaration that still ring true:

We confront the terminal crisis of a civilizing model that is patriarchal and based on the submission and destruction of human beings and nature that accelerated since the industrial revolution. The capitalist system has imposed on us a logic of competition, progress and limitless growth. This regime of production and consumption seeks profit without limits, separating human beings from nature and imposing a logic of domination upon nature, transforming everything into commodities: water,

earth, the human genome, ancestral cultures, biodiversity, justice, ethics, the rights of peoples, and life itself.³⁶

States need to challenge such dominant economic models and adopt alternatives that deliver for all – especially for the majority who are currently on the margins. For instance, this can be achieved by developing and adopting models that are pro-poor, expanding the economic base, putting women at the centre, thus enabling women to own economic assets and participate in and control production processes, to participate meaningfully in politics, to influence and make decisions, and to have access to justice and live lives free from economic, political, social and other forms of deprivation.

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3

A NEED FOR DEVELOPMENTAL INTERVENTION IN SOUTH AFRICA

Thabileng Mothabi

INTRODUCTION

South Africa is a country divided into two halves.¹ One half is the majority of black South Africans experiencing high levels of poverty, inequality and unemployment, and lack of access to socio-economic rights such as housing, health-care and education, and dependent on a crumbling and unreliable public service. The other half is the minority white population who continue to enjoy access to privatised healthcare and education, and access to electricity, clean water and sanitation (Mbeki, 1998). Despite progress having been made in addressing these inequalities, disparities continue to persist after 21 years of democracy. Since Mbeki's two-nation description of South Africa, the country has also seen the emergence of a small black middle class. This is as a result of redistributive policies adopted by the ruling African National Congress (ANC) since 1994 such as the Reconstruction and Development Programme (RDP), Black Economic Empowerment (BEE) and affirmative action policies. The results have thus far led to an increase in intra-racial inequalities and a class divide where the political elite have largely been the main benefactors of these policies.

To understand this reality, one needs to reflect on the country's history of dispossession under the colonial and apartheid governments.—dispossession in South Africa. The second will provide an analysis of the transition, focusing on the economy inherited by the democratic government, the human development

1 The Two-Nations Speech was delivered by the then Deputy President of South Africa Thabo Mbeki at the opening of the National Assembly under the theme 'Reconciliation and Nation Building' in Cape Town on 29 May 1998.

challenges facing the country at the onset of the transition, and the roadmaps that were developed by the ANC as a government-in-waiting. The third section will examine the developmental interventions adopted by the ANC, and the fourth will link theories of the developmental state with South Africa's experience. The fifth section will review some of the developmental state dilemmas that the country is faced with, and the final section will provide recommendations on some of the potential interventions that can be adopted in enabling South Africa to realise a democratic developmental state.

THE HISTORY OF DISPOSSESSION IN SOUTH AFRICA

For almost 350 years, black Africans in South Africa were subjected to discriminatory and unjust laws. Perhaps the most controversial and exclusionary pieces of legislation, which had a continued effect even on contemporary South Africa, until its repeal in 1991, was the 1913 Black (Natives) Land Act No. 27 (The Land Act) that barred Africans from acquiring land outside the 'native reserves', which accounted for 7.3% of the South African land area. This was augmented by the Natives Land and Trust Act of 1936, which resulted in a further 6% of the land area becoming reserves (Avendano, 2013).

Land dispossession was used as a means to subjugate and oppress Africans, and was also used to reduce the remaining tracts of African land to being labour reserves that ensured dispossession of the majority into wage-workers. At the heart of land dispossession lay an ideological superstructure, which maintained a brutal combination of racial, gender-based and class subjugation, and provided justification for, and reinforced, the extreme racial inequalities that persist in South Africa even today (Crais, 1992; Davenport, 2012; Saul and Bond, 2014). Through the prism of race-based superiority, whites deemed themselves inherently superior to Africans, men to women, and the ruling elite to the working class and peasantry. The system of apartheid colonialism evolved accordingly, therefore, imposing extensive laws on the majority in order to establish control over every facet of their lives. In the course of colonial expansion, millions of people were uprooted from their homes, often with untold brutality, and always without compensation. Many were forcibly dispossessed and moved from their lands into the reserves. Conquests and land seizures were accomplished through weapons, warfare and dubious 'treaties', which colonists claimed were signed by chiefs or leaders of communities. While African communities fought to defend and regain their land, superior weaponry ensured their defeat.

This demonstrates the importance of land dispossession in creating a racially and spatially divided South Africa. These laws had a negative impact on the economic, social, political, and general well-being and status of Africans in South

Africa. This is because land dispossession in South Africa produced negative consequences such as consignment of the majority to the most unproductive land, inequitable distribution of land, and dislocation of the social and economic systems of the indigenous people through labour tenancy, sharecropping and other slave-like impositions (Dodson, 2013).

Another major factor that led to underdevelopment in the reserves was the absence of social welfare systems. After the creation of the Union of South Africa, the social welfare system was extended gradually to a tiny, racially defined minority, while the majority was expelled to the physical and socio-economic margins of the system, subsidising the privilege of the 'insiders'. Draconian measures adopted by the Union Government included the Native Affairs Act of 1920, which led to the establishment of the Department of Native Affairs tasked with overseeing further consolidation of a 'dense network, separate and self-contained within the African reserves' (Saul and Bond, 2014: 39). This in turn led to the reserves becoming increasingly unsustainable, with overcrowding and resultant poor environmental management of marginal land, rendering huge parts of the periphery economically unviable.

On the economic front, the government instituted the Carnegie Inquiry on Poverty to investigate and report on poverty levels amongst the minority white population. The inquiry came from a need to remove the so-called, 'poor white problem' (Seekings, 2006). Various policies were adopted to assist with decreasing the number of poor whites. For instance, the Industrial Conciliation Act No.11 and the Minimum Wage Act in 1924 and 1925 respectively, barred blacks from registering and joining trade unions and promoted white employment by allowing employers to reserve skilled jobs for whites. In 1930, an amendment to the Wage Act allowed for the establishment of a Wage Board which set a minimum wage and set terms for unskilled workers as well as those not belonging to a union. By setting a minimum wage, the Board wanted to ensure that white workers were not being underpaid.

These laws laid the foundation for the apartheid regime's more extensive, oppressive and exclusionary laws and practices. These did not just seek to ensure that the black population was marginalised, but that their skill sets and access to quality services and goods were limited, regulated and of lower standard. Since 1948, when racial segregation was enforced, a number of laws were passed that served to limit and exclude black people's participation in any economic activity.

In summary therefore, the apartheid state would further entrench racial, class and income inequality through a barrage of legislative measures and regulations. The result would be high levels of poverty in the homelands and townships, subjugation of black working class through low wages and further tightening of

movement of black people into and out of urban areas. Without quality education, the majority of black children were subjected to intergenerational cycles of poverty and forced to work in the lower paid jobs in the mining, agricultural and manufacturing sectors.

STATE INTERVENTION POLICIES IN THE DEMOCRATIC DISPENSATION

From as early as 1943, the liberation movement started making pronouncements regarding the kind of South Africa that it envisaged. Key amongst these was the 1943 Bill of Rights in the Africans' Claims in South Africa; the historic 1955 Freedom Charter; the 1962 Road to South Africa Freedom; the 1992 Ready to Govern Discussion Document on the State, Property and Social Transformation; the 1996 Constitution, and the various policy and strategy documents, as well as speeches of its leadership, especially the political leadership of the African National Congress. Below is a discussion of the main developmental policies adopted by the ANC-led democratic government after 1994. It provides an analysis of key interventions adopted under each policy framework, identifying the goals and objectives and the short-falls associated with each.

The 1992 Ready to Govern document, which was informed by the Freedom Charter signed in 1955 at the Congress of the People meeting in Kliptown, offered the following objectives:

- to strive for the achievement of the right of all South Africans to political and economic self-determination in a united South Africa;
- to overcome the legacy of inequality and injustice created by colonialism and apartheid, in a swift, progressive and principled way;
- to develop a sustainable economy and state infrastructure that will progressively improve the quality of life of all South Africans; and,
- to encourage the flourishing of the feeling that South Africa belongs to all who live in it, to promote a common loyalty to and pride in the country and to create a universal sense of freedom and security within its borders (ANC, 1992).

Central to the proposed policy guidelines was a reversal of the inequalities crafted by the colonial and apartheid system. Following the elections held in 1994, Nelson Mandela became the first black president of a democratic South Africa, and the newly formed Government of National Unity adopted a series of policies, set out below.

RECONSTRUCTION AND DEVELOPMENT PROGRAMME: SETTING THE SCENE FOR A DEVELOPMENTAL STATE PROJECT

The Reconstruction and Development Programme (RDP) remains one of the democratic cornerstones of post-apartheid South Africa. It was lauded as a turning point in transforming the human and economic landscape of the new South Africa. In the Preamble to the White Paper on Reconstruction and Development Programme, it was stipulated that ‘at the heart of the Government of National Unity is a commitment to effectively address the problems of poverty and the gross inequality evident in almost all aspects of South African society. This can only be possible if the South African economy can be placed firmly on the path of high and sustainable growth.’

As a developmental policy, the RDP placed emphasis on a ‘people-driven’ process where consultations would be conducted with targeted communities in determining where and how development and interventions should take place (Corder, 1997).

As a nation building project and with a long-term goal of reversing the legacy of segregation and apartheid, the policy ambitiously set out to achieve the following targets and commitments, at least by the end of 1997:

- The creation of 2,5 million jobs over a ten-year period;
- The building of one million houses by 2000;
- The connection of 2,5 million homes to the national grid by 2000;
- The provision of running water and sewerage to one million households;
- Distribution of 30% of agricultural land to emerging black farmers;
- Development of a new focus on primary healthcare;
- Provision of ten years of compulsory free education for all children;
- Encouragement of massive infrastructural improvement through public works; and,
- Restructuring of state institutions by 1997 to reflect the broader race, class and composition of society.

Amongst the key achievements of the Government of National Unity in realising the RDP was the government review of the social welfare system. Prior to 1994, the system excluded a majority of South Africans from coverage under its social welfare system. By undertaking the review of this system, the GNU aimed to align the new system with the government’s developmental commitments. During the review of the social welfare system, consultations were held

with various stakeholders within and outside government. The consultations subsequently led to a draft White Paper for Social Welfare being published in 1995. Visser (2004) notes that the White Paper was aligned to the principles identified in the RDP and in line with the country's developmental approach and its people-centred values. This policy document became a benchmark for future successive governments to ensure an inclusive social security system² that would expand coverage for previously excluded racial groups.³

The second major achievement was the government's success in building over 997,771 low-cost houses between 1994 and 2000. Thirdly, provision of clean water was extended. At the beginning of 1998, standpipes had been installed within 200 metres of the houses of about 1.3 million people living in rural communities. A further 2.5 million people had access to clean water by August of the same year (Gordon et al., 2011; Department of Water Affairs and Forestry, 2004; Department of Monitoring and Evaluation, 2014).⁴

The GNU also made provision for access to sanitation as part of its low-cost housing provision. The number of households that had access to sanitation increased from less than one million in 1994 to above three million by 2000. However, critics of the RDP cited an array of problems regarding provision of clean water. For example, water projects often had severe design faults, and so the percentage of households relying on rivers, streams and dams for their water actually increased slightly between 1995 and 1999.

The RDP also fell short in protecting women's rights, despite the White Paper noting that 'a key focus throughout the RDP is on ensuring a full and equal role for women in every aspect of our economy and society.' However, in a study on women's rights quoted by Corder (1997: 188), it was established that RDP 'will be hard-put to achieve this praiseworthy goal'. Although the study found that there was a broad level of agreement (93%) that 'women should get the same rates of pay as men if they are doing the same work', 76% of the respondents

2 Since the adoption of a comprehensive social security system by the post-apartheid government, the country has over 16 million beneficiaries registered for social welfare benefits, including old age grant, disability grant, war veterans grant, child support grant and the foster care grant.

3 Following the adoption of the White Paper, the then government established a social security system which included coverage for the old, disabled, children in need and foster care parents. Free healthcare programmes were also implemented for pregnant women and small children and free meals were provided for between 3.5 million to 5 million school children, as further expanded by Visser (2004). In addition, healthcare infrastructure was rolled out in disadvantaged communities that previously had no access. Between 1994 and 1998, 500 new clinics were built and over 5 million people gained access to primary healthcare facilities (Department of Performance Monitoring and Evaluation, 2014).

4 The number of households with access to potable water increased from less than 10.5 million in 1998 to over 11 million households by 2000 and 2001 (ibid.).

indicated that there was less enthusiasm for giving a woman ‘the right to say no to sex even to her husband’ and 66% of the men interviewed had less support for changing traditional culture to allow women the same rights as men.

In professionalising the public service and ensuring that the GNU represented the diverse national demographics of the country, the government had ambitiously aimed to ‘rebuild a public service which is the servant of the people: accessible, transparent, accountable, efficient, free of corruption, and providing an excellent quality of service’ (Parliament, 1994: 33). The first major obstacle encountered by the new government was inheriting a public service that was ‘not efficient, effective or capable to serve the needs of the population’ (Mutheini, 2014:128). In addition, many of the public servants were not properly orientated towards the new programmes. Major reforms were required to transform public finance administration, especially the state’s ability to collect revenue, control expenditure and put in place monitoring and oversight systems. Furthermore, the new public servants did not have the training, the experience or the professionalism to build an efficient and effective public service (Pillay and Pearson, 2016). The dysfunctional public service led to the Ministry of the RDP being closed and placed under the office of the then Deputy President, Thabo Mbeki.

On the economic front, the RDP fell short of meeting the projected economic growth rates (4% and 6%) desperately needed to create the number of jobs targeted. The GNU was only able to realise growth rates of slightly above 2.5%. To compound the challenges, South African’s tax base was also low and acted as an impediment to boosting government revenue. The final nail in the coffin of the RDP was the currency crisis of February 1996, when the value of the rand fell by more than 25% (Visser, 2004). Given this experience, and given the intention of the GNU to calm domestic capital and foreign currency markets, the government ditched the RDP for the Growth, Employment and Redistribution Strategy (GEAR) in 1996.

GROWTH, EMPLOYMENT AND REDISTRIBUTION STRATEGY: SOUTH AFRICA’S SELF-IMPOSED STRUCTURAL ADJUSTMENT PROGRAMME

GEAR was developed by a technical team of 15 economists, comprised of officials from the Development Bank of Southern Africa (DBSA), the South African Reserve Bank, three state departments, academics and two representatives of the World Bank.

Following its drafting, the government declared GEAR non-negotiable in its broad outline, but indicated that it was willing to negotiate the details with its social partners at the National Economic Development and Labour Council (Ned-lac). As it was succinctly put by Visser (2004: 9), ‘the most important difference

between the RDP and GEAR was that while the former expected the state to conduct a people-orientated developmental policy, the latter saw South Africa's economic "salvation" in a high economic growth rate that would result from a sharp increase in private sector accumulation in an unbridled capitalistic system'. The then Deputy Director General of Finance remarked a year later, in 1997, that more research was required to make the link between economic growth and job creation. The government identified core elements under which redistribution would be realised through GEAR, namely:

- a renewed focus on budget reform to strengthen the redistributive thrust of expenditure;
- a faster fiscal deficit reduction programme to contain debt service obligations, counter inflation and free resources for investment;
- an exchange rate policy to keep the real effective rate stable at a competitive level;
- a consistent monetary policy to prevent a resurgence of inflation;⁵
- a further step in the gradual relaxation of exchange controls; and
- a reduction in tariffs to contain input prices and facilitate industrial restructuring, compensating partially for the exchange rate depreciation (National Treasury, 1997).

The National Treasury (1997) reported that once these core elements had been realised through a range of macroeconomic policies, the results would be accelerated growth, increased job creation and improved distribution of income and opportunities. Some of the major targets of GEAR were;

The adoption of GEAR raised sharp debates at Nedlac, with business in support of the policy and the labour movement led by COSATU (Congress of South African Trade Unions) in opposition to it. Firstly, business hailed it as 'investor friendly' and praised the manner in which it 'responds to many of the concerns expressed by businesses'. These pronouncements would further result in a polarised debate within Nedlac, where labour and community constituencies felt GEAR to be too neo-liberal and supportive of business. Politically, GEAR also resulted in a first major ideological confrontation between COSATU and the ruling ANC, whilst the South African Communist Party (SACP) and South African National Civic Organisations (SANCO) were in support of the policy. The SACP would later retract its support following scathing criticism from COSATU. CO-

5 This particular objective would set the scene for the Reserve Bank to formally introduce inflation targeting in February 2000, after announcing the intention to adopt the framework in August 1999 (SARB, 2000).

SATU expressed serious reservations over GEAR's conservative stance and further warned that 'if you try to get the lowest paid people to pay for growth, there will be problems' (SACP, 1996). COSATU's frustration was expressed by its then Assistant General Secretary, Zwelinzima Vavi:

GEAR is not in the best interest of the manufacturing sector or any other industry, except the financial markets. Social development targets set out in the Reconstruction and Development Programme which are job creation, provision of standard services and public sector investment, are regarded as secondary issues. The intermediate objective of fiscal discipline has now substituted the ultimate objective of development. We are essentially back at the age of Adam Smith who believed in the 'invincible hand of the markets'. We are being asked as workers and the poor to tighten our belts as markets will deliver in our lifetime.⁶

It is important to assess the performance of the policy framework against the targets it set out to achieve or if they further hampered the country's development. GEAR's limitations were realised when the policy fell short of meeting the envisaged target of 6% growth between 1996 and 2001 as the economy only grew by 3%. Furthermore, GEAR failed to deliver the anticipated number of jobs in the private sector. Instead of the initial target of three million jobs to be created in 2001, the employment sector shed one million jobs during that year. For example, as Fedderke and Simkins (2009) indicate, the mining sector alone lost over 55,219 jobs in the coal mining industry, 241,352 jobs in the gold and uranium industry and a further 136,543 in the diamond and other mining industries between 1994 and 2000. Visser (2004) argues that this resulted from the introduction of labour-saving technologies, increased outsourcing and increased use of casual and contract labour.

GEAR was also found wanting in terms of reducing inequality and poverty. Social welfare spending under GEAR fell from 9.6% of the total budget in 1998/99 to 9.3% in 2000/01. Health spending declined from 12.2% to 11.7% in the same period (Visser, 2004). GEAR offered no targets for reducing inequality and poverty, and viewed job creation as the main avenue for income redistribution.

As a result of the introduction of GEAR and the implementation of BEE,⁷ racial inequalities increased on average by 0.67⁸ on the Gini coefficient during the implementation of GEAR (National Planning Commission, 2010). On the political front, the ANC made attempts to align GEAR with the socially progressive objectives of the RDP, but the central pillars of the strategy were fashioned in

6 'Gear Today – Gone Tomorrow'. Speech presented at the Them and Us Conference, Durban, 26 August.

7 Black Economic Empowerment was introduced in 2001 as a redistributive policy aimed at increasing participation of Black South Africans in the economy.

8 Own calculations of the average Gini coefficient over the period 1996 to 2004.

accordance with standard neo-liberal principles: deficit reduction, keeping inflation in single digits, trade liberalisation, privatisation, tax cuts and tax holidays and phasing out exchange controls. Nonetheless, the debate remains unresolved as to whether GEAR was the correct policy for South Africa's context at the time. A useful debate should be about what kind of an economic stabilisation programme South Africa should have pursued if GEAR was not the correct one.

THE ACCELERATED AND SHARED GROWTH INITIATIVE FOR SOUTH AFRICA (ASGISA): GOING BACK TO BASICS?

ASGISA replaced the unpopular GEAR in 2005. It regarded growth as 'necessary but not sufficiently dynamic for poverty-reduction. To have a significant effect on poverty, the benefits of growth must be better shared' (Frye et al., 2011: 270). Growth in 2005 was averaging 5%, having increased from 4% per annum by 2004.

ASGISA aimed at improving policy implementation and economic growth by addressing the following challenges:

- lack of skilled and committed staff in the public service;
- lack of human resources to implement policies;
- inadequate financial resources;
- corruption and mismanagement of funds;
- lack of people-driven development;
- lack of proper co-ordination between institutions;
- barriers to entry, limits to competition and limited new investment opportunities.

In 2006, the government introduced the Joint Initiative on Priority Skills Acquisition, a three-year programme to address the scarce skills challenge and enhance policy implementation.

ASGISA identified six constraints which were said to be preventing South Africa from achieving the desired growth rate:

- infrastructure backlogs;
- shortage of skills and cost impact on low-skilled labour of the apartheid spatial system
- poor international competitiveness of much of our manufacturing and tradable services sectors;
- relative volatility of the currency;

- the regulatory environment for small and medium-sized business and the weakness of the second economy;
- the inadequate capacity of government organs to support economic development.

In addressing these backlogs and in also consolidating the gains made under GEAR, the government envisioned the following goals: halving poverty, halving unemployment from 28% in 2004 to 14% by 2012 through increasing the growth rate to 6%, and sharing growth by absorbing more labour into the formal economy through eradicating the informal economy. In the 2007 annual report of ASGISA, the government reported that it stood a fair chance of halving poverty and unemployment by 2012. This was because, as The Presidency (2008) argued, ‘never before have we experienced four consecutive years of growth greater than 4.5%. Employment has grown strongly, even though unemployment remains high.’

The Presidency further argued that for government to realise the goals set out in ASGISA, it needed to raise the growth rate to an average of over 5% before 2012, and increase the rate of investment from 15% to 20% of GDP in 2008. Amongst other notable successes of ASGISA, was reducing unnecessary red tape for business registration, getting universities to commit to rapidly increasing their output of engineers, and developing new ways to more than double the output of artisans. In terms of its shortcomings, ‘little visible impact is available and the anticipated inclusion of workers into the formal sector has not yet materialised as planned’ (Frye et al., 2011: 271).

In conclusion, it can be argued that ASGISA provided a stimulus towards South Africa becoming a democratic developmental state. The characteristics were there: the technocratic expertise to drive policy co-ordination amongst ministries through the Policy Coordination and Advisory Services (PCAS) was able to improve on the lessons gained from RDP and GEAR, and the Ministry of Finance was led by the globally respected Trevor Manuel.

On the political front however, the Presidency was accused by political detractors of creating one centre of power in the PCAS and excluding key decision making bodies such as the ANC’s National Executive Committee. Therefore following the replacement of President Thabo Mbeki by Jacob Zuma at the 2007 ANC Polokwane Conference, the ANC was quick to summon government ministers to its headquarters on a weekly basis in order to get an update on the progress of policy decisions made at the elective conference in 2007. This was seen by the alliance members – COSATU, the SACP and the ANCYL – as creating two centres of power, with Thabo Mbeki as the head of state based in

Pretoria and Jacob Zuma as President of the ANC. Subsequently Thabo Mbeki was replaced as head of state in September 2008 by Kgalema Motlanthe. The process of shaping South Africa's developmental state under ASGISA would come to an abrupt end following the 2009 election of Jacob Zuma as President of the country.

NEW GROWTH PATH TO 2020: RADICAL ECONOMIC TRANSFORMATION

The New Growth Path (NGP) was launched in 2010 to pursue economic growth and employment creation through an infrastructural development programme. It was founded on the premise that the economy needed restructuring in order to create decent work, reduce inequality and eradicate poverty (eThekweni Municipality, 2010). It aimed to create five million jobs by 2015 and reduce unemployment by 10% by 2020, through a range of accords signed by social partners at Nedlac. The following sectors were identified as key job drivers and the targets set out to achieve them (Department of Economic Development, 2011);

- Infrastructure: 250,000 jobs a year in energy, transport, water, communications infrastructure and housing through 2015;
- Green Economy: 300,000 new direct jobs by 2020;
- Knowledge Economy: 100,000 new jobs;
- Agriculture: 300,000 households in agricultural smallholder schemes, 145,000 in agro-processing by 2020, upgrade conditions for 660,000 farm workers;
- Mining: 140,000 additional jobs by 2020 and 200,000 jobs by 2030;
- Manufacturing: 350,000 jobs by 2020 in industries; and,
- Tourism and high-level services: 250,000 jobs directly in tourism and business with more possible jobs created in the cultural industries.

Government is seen as being central to meeting the job targets in the NGP. Other social partners such as the private sector would then complement its initiatives. However, as Natrass (2011: 01) rightly notes, 'if this vision is to be achieved then we need a stronger, more efficient state, appropriately targeted policies, co-ordinated monetary and fiscal policies, an improved supply of skilled labour, and co-operative partnerships with labour and capital.'

Amongst the criticisms levelled against the NGP by COSATU, is that it fails to locate itself within the 'historical positions of the ANC on economic policy'. COSATU argues that the NGP should be anchored on the 1955 Freedom Charter, the RDP and the 2007 52nd Conference resolutions of the ANC, and that economic growth should take place in the context of a redistributive strategy.

Given the current economic outlook, it seems highly unlikely that the NGP will meet the projected number of jobs. Following its adoption, the government had set a modest target of 4% and 7% per year if the job targets set out in the NGP were to be met by 2020, but between 2010 and 2015, the economy grew by a mere 3% on average. This is the reality that government alluded to as early as 2013 when the Economic Development Deputy Minister conceded that ‘the government’s target of creating five million jobs by 2020 was unlikely to be met because of a range of factors, including labour unrest and the strained relationship between the state and big business’.⁹

The official unemployment rate fluctuated between 24% and 26% from 2011 to 2015, but is projected to decline to 21.3% in 2020 (Trading Economics, 2016). The overall economy is expected to grown by an average of only 1.6% between 2016 and 2020 (ibid.).

NATIONAL DEVELOPMENT PLAN OF 2030: SOUTH AFRICA’S LONG-TERM STRATEGIC PLAN

Another overarching policy document that has generated much heated debated within the Tripartite Alliance and within the broader South African society is the National Development Plan of 2030 (NDP). The NDP identifies the role different sectors of society are required to play in reaching the set goals by 2030 (National Planning Commission, 2011). As a long-term vision, the Plan aims to ensure that all South Africans enjoy a decent standard of living through the eradication of poverty and reduction of inequality. The core elements of a decent standard of living include:

- housing, water, electricity and sanitation;
- safe and reliable public transport;
- quality education and skills development;
- safety and security;
- quality healthcare;
- social protection;
- employment;
- recreation and leisure;
- clean environment;
- adequate nutrition.

The diagnosis of the society and the economy within the NDP is relatively

9 ‘Government “set to miss” 5-million jobs target’, *Business Day*, 22 January 2013.

robust but the proposed solutions, as with the NGP, do not address the identified policy challenges. It is unrealistic in terms of reducing or eradicating poverty, reducing inequality and achieving zero unemployment. 'The national plan reads like a high-level summary of all that currently exists in government' and that all that currently exists in government has thus far failed or has been found wanting in addressing the triple challenges of unemployment, poverty and inequality (Hassen, 2011). Furthermore, Terreblanche (2012: 118) argues that the 'hyper-optimism' characterising the NDP is because 'the NDP has not considered the historical trends of the past 130 years'. The National Planning Commission should have 'concentrated on the unequal power relations, the unequal property relations and the unequal opportunities that are making the new South African society a very unjust society, just as similar inequalities made apartheid South Africa a very unjust place' (ibid.).

SOUTH AFRICA'S DEVELOPMENTAL STATE PROJECT

Developmentalism has always been at the centre of the ANC's key policy documents, including the 1943 'Africans' Claims in South Africa', the 1955 'Freedom Charter', the 1962 'Road to South African Freedom' and the 1992 'Ready to Govern'. After the ANC's 1994 election victory, the party continued to highlight developmentalism in the 1998 'State, Property and Social Transformation' and the 2000 'ANC Strategy and Tactics', but the developmental state as such was only referred to in passing in these documents (Netshitenzhe, 2011; Edigheji, 2006).

The notion of a developmental state only gained traction as an objective of policy in the 2007 'ANC Strategy and Tactics' document (Netshitenzhe, 2011). The ANC spelled out the features of a South African developmental state and how it should be realised. It further outlined the key attributes, such as the capacity to intervene in the economy in the interest of the higher rates of growth and sustainable development; effecting sustainable programmes that address challenges of unemployment, poverty and underdevelopment with requisite emphasis on vulnerable groups; and mobilising the people as a whole, especially the poor, to act as their own liberators through participatory and representative democracy (ANC, 2007). As quoted by Netshitenzhe (2011), Linda Weiss has written that, 'South Africa has set itself the unusual and challenging goal of becoming a developmental state. In principle, this is a unique and noble enterprise: unique in so far as no state has ever self-consciously set out to become a developmental state; and noble in so far as such a project draws inspiration from the experience of certain countries that achieved growth with equity.'

Institutional Architecture for Developmental Interventions

Developmental state literature demonstrates that strong and successful democratic developmental states have the political will that is driven by a political elite fully cognisant of the long-term developmental vision to achieve the objectives set out in the long-term plan. Gumede (2009: 10) argues that ‘at the core of any developmental state is the state: efficient, well co-ordinated and staffed with skilled employees. The state must have the administrative, technical and political capacity and competency to set national goals, make use of the market and implement these policies. It is also important that the bureaucracy is autonomous and has broad public and political legitimacy.’ The characteristics identified by Gumede demonstrate that a developmental state requires conduct that reinforces the legitimacy of the state and the offices that individuals occupy within the public service. Netshitenzhe (2011) further notes that the public service should be professional, autonomous and insulated against corruption, political favours and special interests, and that this can only be achieved through appropriate modes of recruitment and promotion. Mkhandawire (2001: 290) argues that the ANC’s approach aptly captures the structural and ideological features that ‘in terms of ideology, a developmental state is essentially one whose ideological underpinning is “developmentalist” in that it conceives its “mission” as that of ensuring economic development. ... The state-structure side of the definition of the developmental state emphasises capacity to implement economic policies sagaciously and effectively. Such capacity is determined by various factors – institutional, technical, administrative and political.’

State Capacity, Employment Equity and Meritocratic Recruitment

After 1994, the government embarked on gradually transforming and developing a public service that would be able to implement non-racial policies focused on transforming the human development landscape of the country. Maphunye (2009) argues that through this developmentalist approach to transforming the public service, South Africa can be classified as a developmental state.

State capacity and meritocratic recruitment are key factors in achieving a developmental state. Edigheji (2007) argues that both of these are part of demonstrating state autonomy which enables a developmental state to act in a coherent fashion. He further argues that key indicators of autonomy include the recruitment of civil servants being informed by Weberianness (meritocratic recruitment and set-out career paths), which he characterises as appointing individuals who are highly qualified and competent. Elnari Potgieter expands on the theme:

... such a state has vigorous standards to enter bureaucracy in order to create a sense of unity amongst bureaucrats and foster a sense of mission.

Its recruitment process is meticulous and attracts experts who already have lived up to the challenge of maintaining high standards in their jobs before entering the bureaucracy, and long-term career rewards based on performance keep these elites from leaving the public sector. The result is a sense of unity and 'corporate coherence' amongst bureaucrats, as well as bureaucracies capable of formulating and implementing policies, constructing markets and motivating actors to operate in these markets.¹⁰

The task of meeting the objectives set out in ANC policy documents in professionalising the public service and meritocratic recruitment falls to the Department of Public Service and Administration (DPSA). The department plays a major role in establishing norms and standards for the public service which ensure that service delivery mechanisms, integrated systems and access, human resources, institutional development and governance initiatives are responsive to the needs of the citizens (DPSA, 2014). The department is also mandated with transforming and modernising the public service through the development and implementation of policies and frameworks, and with providing implementation support to ensure compliance, improve service delivery and strengthen monitoring and evaluation.

The DPSA has established a number of agencies and campaigns to deliver on its developmental mandate:

- 1. Batho Pele Principles and Awards:** The Batho Pele¹¹ campaign, which was aimed at improving service delivery to the public, was first rolled out in 1997 and revitalised during the 2012 Public Service Month. Through this campaign, eight guiding principles were derived and made public in the 1997 White Paper on Public Service Delivery. The Batho Pele awards are dedicated to hard-working and dedicated public servants and the inaugural awards were held in November 2013.
- 2. Centre for Public Service Innovation (CPSI):** The CPSI was established to identify, support and nurture innovation in the public sector to improve service delivery. It runs targeted innovation programmes to support the outcomes of rural development, accelerated service delivery at local government as well as human settlements.
- 3. National School of Government (NSG):** The National School of Government, formerly the Public Administration Leadership and Management Academy, offers training and development opportunities to public servants at national, provincial and local government level. This includes training new public service employees as part of their probation, re-ori-

10 'South Africa as a democratic developmental state: Bureaucratically not there yet', *Mail & Guardian*, 12 June 2012.

11 Batho Pele is a Sesotho phrase meaning 'People First'.

entation of senior managers and orientation of youth graduates preparing them for public service employment opportunities. The school aims to educate, train, professionalise and develop a highly capable, skilled and committed public service with a sense of national duty and a common culture and ethos.

4. **Anti-Corruption Bureau:** The bureau was established with the sole intention of fast-tracking disciplinary cases within the public sector, as one of the amendments to the Public Service Act of 1994. The amendments also include banning all public servants from doing business with government. Uniform standards have been applied to public servants across government.

The most notable success in transforming the public service has been the government's ability to change the racial composition of the public service. The government's '20 Year Review 1994-2014' acknowledges that 'the composition of the public service was also transformed to better represent the entire population' (Department of Performance Monitoring and Evaluation, 2014: 11). National and provincial government employed 1.3 million people by the end of 2012, of whom 57% were women and 43% were men; 80% were African, 9% White, 8% Coloured and 3% Asian. In terms of improving the skills base within the public service, the government highlights two major successes, the South African Revenue Services and the Department of Home Affairs. 'These show what can be accomplished when there is standardisation and continuous improvement of work processes, when productivity levels are set, measured and monitored and when there are improvements in information technology. They also highlight the importance of managers working closely with frontline staff to ensure there is clarity about how their work contributes to meeting departmental objectives' (DPME, 2014: 31).

Challenges to State Capacity and Meritocratic Recruitment

As impressive as the new systems may be, the reality on the ground has been that the public service has been found wanting. The ANC notes that progress has been slow due to weaknesses in the implementation of a common and broad framework to co-ordinate and drive the process. It concedes that there is 'general agreement that this has not been comprehensive enough (ANC, 2012: 8). The party further emphasises that the 'ANC government must restructure and re-focus the public service. The public service must be responsive, professional and guided by new ethos. There must be the development of uniform entrance requirements and standards of employment in the public service, emphasising professionalism, discipline and a commitment to serve' (ANC, 2012: 10).

In echoing these sentiments, the Public Service Commission committed to strengthening efforts to ensure a productive service that could help tackle the socio-economic challenges facing the country. The South African state is faced with enormous challenges in transforming the bureaucratic make-up of the public service in comparison to what was 'required of developmental countries who simply transformed industries under more autocratic circumstances in the past'.¹² On the other hand, the state should reverse the legacies of apartheid that continue to haunt developmental progress made since 1994.

The second challenge is the lack of capacity to deliver on the mandate set out by the party in its policy documents. The state is currently characterised by a partnership between the private and public sectors in driving South Africa towards achieving its developmental objectives. Although this has had its advantages in the past, the partnership has also brought with it enormous challenges in the delivery of public services especially with over-reliance on consultants due to lack of skills, lack of skills-transfer and lack of capacity in key government departments to deliver on their mandates. In most cases, government departments do not get value for money, as was reported in the Auditor General's 2013 'Report on Performance Audit of the Use of Consultants at National Departments'.

Key findings from the report indicate the following challenges:

- **Economy/Return on Investment:** Procurement processes were not adhered to in appointing consultants, according to the Public Finance and Management Act. As such, projects were not performed in the most economical manner. The appointment of consultants was sometimes done despite available internal capacity. Consultants' contracts were extended without following proper procurement procedures, often resulting in the consultant being paid more than contractually agreed.
- **Efficiency:** Cost-benefit analyses were not always conducted before the appointment of consultants, basic project management disciplines that entail meeting project deliverables were neither set, clear nor measurable and specific, and the roles and responsibilities were not clearly defined. Furthermore, there were no monitoring and evaluation systems in place to assess the actual work performed.
- **Effectiveness:** Set objectives were not always met when deliverables were completed late. Prolonged processes in the approval of the project deliverables raised the risk that such projects could become obsolete and irrelevant. In addition, departments did not always plan in advance to

12 'South Africa as a democratic developmental state: Bureaucratically not there yet', *Mail & Guardian*, 12 June 2012.

provide financial and other resources necessary to enable the implementation of the deliverables (Auditor General, 2013).

The third challenge relates to the cadre deployment policy. The ANC's resolution for adopting a cadre deployment policy and deployment can be dated as far back as the 1985 National Consultative Conference, where they resolved that the cadre deployment policy of a revolutionary organisation is always determined by the tasks of the revolution (Twala, 2014). The aim of the cadre deployment policy and strategy was, as Twala (2014) elaborates, citing Netshitenzhe (1996), to centralise and systematise the 'deployment' of ANC cadres to all 'centres of power', including the economy, education, sports, arts and the media, so as to ensure ANC control and hegemony. The article further elaborated that: 'We must have a clear understanding of the system of supervision and decision-direction ... to ensure that our army of cadres discharge their responsibilities in accordance with decisions which the movement has made.' The ANC at its 50th Conference resolved that: 'Our Cadre Policy and Deployment Strategy should directly relate to the National Democratic tasks as set out in our Strategy and Tactics document and our Cadre Policy should actively contribute to the building of strong structures and programmes.' The ANC's Cadre Deployment Policy and Strategy was aptly summarised by the then spokesperson of the party in 2006, Smuts Ngonyama, who said: 'We didn't struggle to be poor.'¹³

However, as much as the 1985 resolutions had noble aims, the end result has been increased patronage, corruption and cronyism on the part of these cadres. Modimowabarwa Kanyane, a researcher from the Human Social Sciences Research Council, was quoted as saying, 'One conclusion that seems to be common is that the ANC's deployment strategy systematically places loyalty ahead of merit, and even competence, and is therefore a serious obstacle to efficient public service.'¹⁴ In the same article, the Premier of the Free State, Ace Magashule, was quoted as saying, 'We are not ashamed of cadre deployment. We will continue to implement it without fail. Everywhere in the world, cadre deployment is practiced. When the Democratic Alliance took over the Western Cape, they removed ANC people from key positions.' At the local government level, research shows that cadre deployment in municipal managers' position often results in funds meant for accelerating service delivery being redirected to family-owned businesses, friends and comrades of the municipal manager. This was supported by the 2010/2011 Auditor General's report of municipalities in which the office found that only 5% of the audited municipalities had clean audits and 13% did not even submit their financial statements in time for the audit. Mandy De Waal

13 'Hold your nose: The smell of corruption', *The Economist*, 5 June 2010.

14 'Magashule: Cadre deployment is here to stay', *Mail & Guardian*, 24 February 2015.

reported that the Federation of Unions of SA (FEDUSA) pointed fingers at cadre deployment.¹⁵ Gwede Mantashe, the Secretary General of ANC, responded to FEDUSA in the same article: ‘... you’ve got to be kidding me. The blackmail of thinking that cadreship is a sin is something that we should not entertain. To be a cadre of a movement is not a sin. Opponents of cadre deployment ... confuse it with wrong deployment. It’s not the same’.

Magashule and Mantashe are both correct, and the former rightfully argues that this policy is practiced everywhere in the world including in United States of America and England, where political appointees vacate their offices once the party they’re affiliated to is defeated in national elections. However, in the case of South Africa, and with the ANC being the ruling party for the past 21 years, cadre deployment policy has been equally placed alongside the phenomenon of the culture of corruption that has come to be deeply entrenched and has further hampered progress in achieving developmental objectives and targets.

One consequence of the cadre deployment strategy has been the number of ‘golden handshakes’ that government has been forced to pay following the deployment of a cadre in a government department or state-owned enterprise.¹⁶ The Helen Suzman Foundation (2015) estimates that this trend is more prevalent in key government ministries, especially at the director-general level. If the trend is not reversed, the public service bill will continue to be bloated at the expense of investing in professionalising the service.

POLICY AND INSTITUTIONAL MECHANISMS

The success of a developmental state relies on the centralisation of public and economic policies being located in the offices of the president or the prime minister so that they are able to direct policy, ensure alignment with developmental objectives and achieve the necessary targets (Edigheji, 2007). In a developmental state context, this process is led by a so-called super-ministry or national planning secretariat or economic planning ministry that is tasked with overseeing the roll-out and implementation of developmental policies. Gumede (2009: 10) argues that the ‘centre not only determinedly pushes the economy to reach high growth rates, but also works towards eliminating the economy’s vulnerabilities and makes it competitive, by diversifying and identifying new niche manufacturing products’.

15 ‘Cadre deployment, cronyism and the paving of SA’s highway to hell’, *Daily Maverick*, 3 August 2012.

16 It is difficult to estimate the total cost of golden handshakes as they are largely clouded in secrecy and the media has relied on estimates from sources rather than on an empirical study. The Helen Suzman Foundation estimates that in 2015 alone the former head of the Hawks (the specialised police service which investigates high-profile cases), Anwar Dramat, was given a golden handshake of R3 million plus R60,000 p.a. until he reaches 60 years of age (which amounts to R13 million). SAA former CEO, Monwabisi Kalawi, received R2.7 million. (Note: All amounts are estimates provided to the media.)

Ministry of RDP and Co-ordination and Implementation Unit

The Ministry of Reconstruction and Development Programme was established in 1994, in the office of President Nelson Mandela, and had the powers to co-ordinate and direct investment in key sectors that would reverse the legacies of apartheid. Key amongst its objectives was to alleviate poverty, and address massive shortfalls in social services through a roll-out of comprehensive social policies.

The ministry's success depended largely on a stable macro-economic environment. The RDP document rightfully noted that growth without development would fail to bring about the necessary structural transformation within South Africa. The ministry attempted to combine measures to boost the economy with social services provisions and infrastructural projects. In this way, it could be argued that the then GNU was on track to realising its developmental objectives and targets as set out in the RDP document.

The ministry was disbanded in 1996 because it lacked the capacity to implement the RDP policy, as well as lacking staff with proper implementation skills, and in 1999 the Co-ordination and Implementation Unit (CIU) was established in the office of the then Deputy President, Thabo Mbeki. Edigheji (2007) notes that the CIU faced similar challenges to those encountered by the RDP, and there was inadequate information on how the CIU interacted with other ministries and what its mandate entailed. Gumede (2009: 10) cites the late deputy minister of Environmental Affairs lamenting in 2001 that 'coordination of planning, budgeting and personnel still eludes us'.

Policy Co-ordination and Advisory Services

In 2001, a Presidential Review Commission found that there was excessive departmentalism coupled with contradictory policies emanating from various government departments. This built on some of the key lessons from the failures of the Ministry of RDP and the CIU. Thabo Mbeki saw the need to establish a co-ordinating unit, as he believed that 'there has been difficulty in the separation of departments, with each doing their own thing. ... You have a situation where each one is pulling in a different direction. So you need a co-ordinating unit, particularly with regard to economic questions. It is a unit of co-ordination' (Edigheji, 2007).

President Thabo Mbeki established the Policy Coordination and Advisory Services (PCAS) which was also to be located in the Presidency. The idea behind the establishment of this unit was to focus on the country's policy architecture and policy orientation as it was viewed by the then government that this unit would determine state capacity to formulate and implement policies and programmes for a developmental state. One of the key features of PCAS was to ensure policy

coherence across all government departments.

Edigheji (2007) identifies the following key features of the PCAS, which were in line with characteristics of a developmental state:

- Facilitating strategic policy formulation by identifying key strategic priorities;
- Conducting research on identified areas/issues and developing proposals on policies and processes;
- Facilitating integrated policy formulation by monitoring policy proposals from line ministries;
- Evaluating line ministries to see whether they are aligned to government priorities and where necessary proposing corrective measures. Alignment of departmental policies being done through the Medium Term Strategic Framework (MTSF);
- The PCAS drafting and distributing the MTSF which guides alignment of policies and priorities; and,
- The PCAS ensuring alignment through annual reviews of departmental performances (through publication of the National Development Indicators) and proposing corrective actions where there's misalignment.

The PCAS was made up of five core units or clusters that mirrored the cabinet clusters: Economic; Social; Governance and Administration; International Relations, Peace and Security; Justice, Crime Prevention and Security.

During the early days of PCAS a number of legislative and administrative reforms were undertaken in order to improve governance, strengthen policy co-ordination and decentralise the policy-making process. These included the Public Finance Management Act (PFMA), which improved budgeting and financial management at national, provincial and local government levels, and the Medium Term Strategic Framework which allowed for sound, strategic planning and more accountability, auditing and reporting. These reforms contributed to the identification and promotion of developmental goals in a more coherent manner and have led to encouraging progress being made in socio-economic delivery.

However, despite improved policy co-ordination and coherence, the PCAS was grappling with some of the challenges that faced its predecessors, such as limited staff capacity. The number of civil servants fell from 1.2 million in 1994 to just over 1 million in 2001, thus paving the way for increased reliance on outside consultants; almost 25% of the government's procurement budget was spent on consultants, primarily in providing information technology, policy advice and project management services.

The second challenge faced by the PCAS was that of its leadership. Edigheji (2007) observed that while planning units in successful developmental states were led by Prime Ministers or Deputy Prime Ministers, the PCAS was led by a Director-General, Joel Netshitenzhe. Despite his having been a powerful political figure within the ruling ANC, the PCAS did not have the super-ministry powers over the line ministries and departments it was meant to co-ordinate.

The third challenge was that President Mbeki did not build the political coalition around his long-term vision to ensure the survival of the unit beyond his term, and the PCAS was eventually disbanded following the recall of his administration in September 2008.

Economic Development Department

Following the election of President Jacob Zuma in 2009, the new administration redeployed the remaining PCAS employees to the newly formed National Planning Commission (NPC) Secretariat. However, the NPC would only become fully operational three years later due to the process of recruiting commissioners and appointing key staff. In the meantime the administration formally established the Economic Development Department (EDD), which had some of the characteristics of the super-ministries of East Asian developmental states, focusing on inter-connected areas of policy development, planning, effective implementation and continuous monitoring and evaluation. Unlike the PCAS, it was strongly supported by the tripartite alliance, especially COSATU, as its first minister was a former president of the South African Clothing and Textile Workers Union.

The ministry's mandate was to:

- co-ordinate the contributions of government departments, state entities and civil society on economic development;
- contribute to efforts that ensure alignment between the economic policies and plans of the state and its agencies and government's political and economic objectives and mandate; and,
- promote government's goals of advancing economic development with decent work opportunities.

The ministry's first policy framework was the New Growth Path of 2020. President Zuma announced that, 'We have declared 2011 a year of job creation through meaningful economic transformation and inclusive growth. We have introduced a New Growth Path that will guide our work in achieving these goals, working within the premise that the creation of decent work is at the centre of our economic policies' (Zuma, 2011).

Due to limited staff capacity, the ministry has thus far been unable to exert its

influence and presence especially on economic planning and development issues, with the former still continuing to be driven by the Department of Trade and Industry where the EDD is based. Furthermore, it is unclear if the New Growth Path, which was to be led by EDD, still continues to guide government efforts towards job creation, or whether it has been replaced by the NDP.

National Planning Commission

The NPC was established in 2010 and is currently led by the Minister in the Presidency for National Planning, Jeff Radebe. The NPC was tasked with developing a draft long-term vision and strategic plan for South Africa. It comprises 24 part-time external commissioners, a chairperson and a deputy chairperson appointed by the President. The specific mandate of the Commission is to take a broad, independent and critical view of South Africa, by consulting with and drawing on the skills and expertise of multiple stakeholders, to build consensus and find concrete solutions to key challenges faced by the country.

The National Planning Commission is supported by a secretariat located within the planning branch of the Department of Planning, Monitoring and Evaluation. The priority of the department over the next five years will be to co-ordinate and monitor the implementation of the National Development Plan towards realising Vision 2030. The commission will advise government and social partners on implementation of the plan, and will work with state agencies to report on progress. The NPC has thus far been successful in ensuring that line ministries align their strategic plans with its own, and in establishing economic planning and development offices at provincial and local levels. However, it is not enjoying the political support that it should within the tripartite alliance, especially from COSATU affiliated trade unions who argue that it is too private-sector driven.

It can be argued that the government's democratic developmental trajectory was positive during the existence of PCAS, which saw improved co-ordination, coherence and competence, despite its lack of capacity. It has also been demonstrated that since the Zuma administration came to power there has been confusion as to which ministry is responsible for long-term planning and economic development. The administration has acknowledged that municipalities and state-owned enterprises receive mixed messages from different departments, while businesses often complain about a lack of policy clarity due to the way responsibilities are divided between government departments (Presidency, 2014). Zuma's executive has been reshuffled seven times, involving changes to 47 cabinet positions and 54 deputy ministers; 177 director generals have served in permanent and acting capacities, and

their average time in office is only 15 months.¹⁷

STATE-MARKET RELATIONS: DRIVING FORCE BEHIND A DEVELOPMENTAL STATE

It would seem that the desire and the commitment of South Africa's leadership to achieve a developmental state must be located within the context of the global matrix of power, under which it functions as a post-colonial state. South Africa has gone through various experiences of 'plunder, exploitation and enclave (or bifurcated) development' (Pillay, 2011: 33). The state-market relations that South Africa has today can be seen as a continuation of those in the colonial and apartheid regimes.

Terreblanche (2012: 40) argues that 'in the history of South Africa since 1652 a great variety of capitalist corporations have succeeded in 'identifying' themselves so triumphantly with successive political authorities (or with successive states) that they took over the states and (mis)used them to promote the narrow class interests of the capitalist/corporatist class to the detriment of society at large'. In other words, an argument is made that the post-apartheid state, like the apartheid state, surrendered wittingly or unwittingly to the market.

It has been argued that the adoption of the GEAR strategy was a clear testimony to the unrestrained insertion of the South African economy into the global capitalist system. Terreblanche (2012: 73) argues that despite the failure of GEAR to deliver on its promises, the hegemonic power of the corporate sector over the South African economy continues apace with the adoption of other neo-liberal policies such as privatisation, relaxation of exchange controls, independence of the Central Bank, inflation targeting, and the permission given by the government to big corporations to move their listings to the United Kingdom and United States of America. Mohamed (2010) further makes an important point that the offshore listings that the government of South Africa permitted the corporate sector to carry out have allowed the captains of industry who live and work as businessmen in both the global North and South Africa to change their power relationship with the new South African state. This permissiveness also gives them control over their assets in South Africa as well as on the movement of their capital.

STATE STRUCTURES TO PROMOTE AND FACILITATE DEMOCRACY

This issue speaks to one of the key features of a developmental state, namely state-society relations. As Edigheji (2007) argues, for a state to be judged developmental it should promote and strengthen state structures that facilitate participatory democracy. The South African government has successfully entrenched

17 'Millions spent on out-of-work DGs', *Mail & Guardian*, 25 September 2015.

democratic participation in all spheres of government, with civil society organisations being part of the policy-making process through critiquing and making inputs into the policy discussion documents. Communities and community based organisations are also actively involved in shaping and framing developmental projects within their communities through the Integrated Development Plans (IDPs) led by local government councillors. Below is an analysis of key state and non-state structures established to entrench public participation and engagement in policy-making process.

NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL

The National Economic Development and Labour Council (Nedlac) was established in 1994, to serve as a vehicle by which government, labour, business and community organisations will seek to co-operate, through problem-solving and negotiation, on economic, labour and development issues and related challenges facing the country. Its work focuses on four broad areas:

1. labour market policy;
2. trade and industrial policy;
3. development policy;
4. public finance and monetary policy.

In terms of its membership, organised business is represented by Business Unity South Africa (BUSA), organised labour by main labour federations in South Africa including non-affiliated COSATU unions and COSATU, and organised communities by the South Africa Youth Council, the National Women's Coalition, the South African National Civics Organisation, Disabled People of South Africa, the Financial Sector Coalition and the National Co-operative Association of South Africa.

Amongst the challenges confronted by Nedlac is its relevance in an ever-changing country. Following his attendance of the 18th Nedlac annual summit, Lucky Biyase observed that, 'Nobody mentioned the elephant in the room, which was that many people had already given Nedlac up for dead. Less than 20 years after democracy, Nedlac had become irrelevant.'¹⁸ A scathing but honest reflection of the body, is that a majority of civil society organisations and emerging social movements view it as a government rubber-stamping institution. The emergence of new social and labour movements is a clear indication that the community constituencies at Nedlac are no longer in touch with day-to-day realities faced by workers, students and disadvantaged communities. This argument is further qualified by an editorial in *Business Day*: 'Far from being a forum in which policies are being proposed and argued out between the social partners, it has

18 'Nedlac's fall from grace', *Business Day*, 6 October 2013.

tended to be either a rubber stamp for legislation sent to it from the legislators or a bottleneck, sometimes holding up the passage of legislation for months without necessarily achieving any more consensus between the social partners than there was to start with.¹⁹

IZIMBIZO²⁰

The Mbeki administration established Izimbizo as a way of bringing national government closer to the people through understanding lived realities and challenges, and understanding communities' demands. Some of the notable successes of Izimbizo include:

- giving communities a chance to use their democratic right to be heard;
- helping government to see what problems communities experience on the ground;
- helping government to see which communities had the greatest need; and
- giving government and communities a chance to work together to find solutions to problems (Government Communications, 2006).

This was a vital model in entrenching public participation and engagement with key line ministries including the Presidency. Figures from the South African Local Government Association (SALGA) demonstrates that the period following the recall of President Thabo Mbeki and the end of Izimbizo led to a sharp increase in violent service delivery protests. SALGA (2015) further indicates that the first eight months of 2012 saw the highest number of violent protests of any year, with 28 per month.

PRESIDENTIAL WORKING GROUPS

The third consultative forum was the Presidential Working Groups (PWGs), covering Women, Youth, Trade Unions, Religion, Higher Education and Black Business, amongst others. These were aimed at assisting cabinet consultation regularly with key stakeholders around issues of national interest.

INTEGRATED DEVELOPMENT PROGRAMS

The Constitution of South Africa obligates local government to involve communities and community organisations. The legal/policy framework for this is the White Paper on Local Government, together with the Municipal Systems Act which espouses a vision of 'developmental local government' based on a culture of community participation through relevant mechanisms, processes and

19 'Nedlac's relevance in question', *Business Day*, 23 June 2015.

20 'Izimbizo' is a Zulu word meaning gatherings.

procedures. The ambition of the Act is to involve communities in all the policy stages (development, implementation and monitoring and evaluation) in South Africa's Integrated Development Plans (IDPs) which are planning and strategic frameworks to help municipalities fulfil their developmental mandate (SALGA, 2013a).

There are concerns around the IDPs. Many observers argue that they are done by consultants, and are imposed without thorough discussions with those affected. In addition, people with disabilities, the aged, and women in rural areas in particular, are not prioritised and their specific issues are not given sufficient attention.

PRESIDENTIAL HOTLINE

The Jacob Zuma administration established the Presidential Hotline in September 2009 for the purpose of offering the public, an effective way of obtaining information, counselling and referrals to government institutions. It is supported by a network of Public Liaison Officers in National Departments, Provinces and Municipalities. It has received 111,751 valid queries, of which 84,700 have been attended to and resolved (Presidency, 2014).

FRONTLINE SERVICE DELIVERY MONITORING

The Frontline Service Delivery Monitoring (FSDM), led by the Department of Performance Monitoring and Evaluation (DPME) and Office of the Premier, uses unannounced visits to assess the quality of service delivery in frontline service facilities. Questionnaires assess the quality of service against eight performance areas. The objectives of the visits are to verify the impact of service delivery improvement programmes; to demonstrate the value of obtaining the views of citizens during monitoring; to highlight successes and failures; and to support departments to use the findings for performance improvements (Department of Performance Monitoring and Evaluation, 2014). Since its inception, 536 facilities have been monitored: 40 Drivers License Testing Centres, 95 schools, 131 health facilities, 46 Home Affairs offices, 43 Courts, 38 Municipal Customer Care Centres, 75 police stations and 68 South African Social Security Agency offices (SASSA); 77 facilities have been re-monitored, and improvements were found in all of them.

SIYAPHLOLA PRESIDENTIAL MONITORING PROGRAMME

A recent programme that seems to have replaced Izimbizo, is the Siyahlola²¹ Presidential Monitoring Programme, launched in July 2012 as an on-site monitoring of government performance in the delivery of services to the communities. The technical details of this programme remain rather sketchy and it is not yet clear

21 'Siyahlola' is a Zulu word meaning 'we are inspecting'.

how the findings uncovered during the visits will feed into the service delivery machinery.

SOUTH AFRICA'S DEVELOPMENTAL STATE DILEMMAS

South Africa is faced with a number of intractable developmental challenges, like many other African societies or developing economies in general. Internally, these have to do with the legacy of apartheid colonialism. Externally they have to do with global power relations.

These are challenges that, even if government has the right policies and capacities, would still be an upward battle to resolve. This section focuses on the internal development dilemmas: race, gender and class; poverty, inequality and human development; increased access to education but poor quality outcomes; youth unemployment and the youth not in education, employment and training; service delivery protests; and land and agrarian reforms.

RACE, GENDER AND CLASS

Discrimination, along the racial, gender and class fault-lines remains a major challenge in the country. Although, for instance, the number of black managers and professionals has increased from 216,772 in 1995 to 359,438 in 2005 (Institute of Justice and Reconciliation, 2010), entrenched inequalities continue to characterise the economy.

South Africa's population in 2011 was 51.77 million. Black Africans formed the majority (76.4%), followed by Whites (9.1%), Coloured (8.9%) and Asians (2.5%). Women accounted for 51.3% and men 48.7% (Statistics South Africa, 2012). In other words, those in the majority, Africans and the female population, bear the brunt of South Africa's socio-economic challenges.

Africans are most affected by poverty and they have lower human development. Whites and Indians have better human development indices than the average for the richest 20% of all South Africans, which suggests that there are additional factors than household income that determine inter-racial differences in human development (and this is captured in much lower life expectancy rates for African population groups). Race, it would seem, remains a key marker of one's level of human development and life chances in South Africa.

The 2011 Census results show that the African majority still earned significantly less than their Coloured, Indian, and White counterparts. African-headed households had an average annual income of R60,613 in 2011, compared with R365,134 for White households, R112,000 for Coloured, and R250,000 for Asian (Statistics South Africa, 2012).

The Department of Labour (2013) also affirms persistent racial and gender inequalities in South Africa's labour market. Top management and senior man-

agement positions in the private sector are still dominated by White males, while Africans – in particular, African females – appear stuck on the lower rungs in unskilled and semi-skilled jobs. White males constitute 62.4% of top management; African males make up 17.3%. Women constitute 19.1% of top management as opposed to the 80.9% dominance by males (ibid.).

The persistence of racial inequalities is supported by Leibbrandt et al. (2010), who argue that levels of poverty and inequality in South Africa continue to bear a racial character. The gap between the rich and poor in South Africa has widened, not only between racial groups but also within them. Leibbrandt et al. conclude that rising inequality within the labour market, higher unemployment and greater wage inequality lies behind the increased levels of aggregate inequality.

Public opinion on race relations suggests that they improved between 2002 and 2004 and remained at the same levels until about 2007. During 2004 and 2007, about 60% of South Africans felt that race relations were improving. However, since 2007, this has declined significantly, hitting the 2001 level of 40% in 2011, implying that a majority believes that race relations are deteriorating.

An analysis of the shortcomings of South Africa's economic empowerment strategy is revealing. It would seem that, while gains were made within the public sector, the overall approach to black economic empowerment lacked a clear policy focus and an overarching strategic framework (Presidency, 2013).

POVERTY, INEQUALITY AND HUMAN DEVELOPMENT

Poverty and inequality are two major issues that continue to haunt South Africa, and they are linked to the structure of the economy. On the one hand, the economy is not creating jobs which could address structural poverty. On the other hand, the structure of the economy reproduces inequality by benefiting those with certain skills or political connections and keeping the rest of society, especially the African community, at lower levels of economic wellbeing.

Poverty in South Africa continues to be stubbornly high, despite the government having rolled out a comprehensive social protection system that covers over 16 million beneficiaries (SASSA, 2015). The poverty headcount continues to hover above 40%, with variations from province to province. The Eastern Cape, KwaZulu-Natal and Limpopo provinces had levels above 70% between 2006 and 2011; more urbanised provinces such as Gauteng and the Western Cape were below 30%; the remaining provinces experienced poverty headcounts of between 40% and 50% (Department of Performance Monitoring and Evaluation, 2014b).

Whilst poverty remains very high due to lack of employment opportunities largely as a result of poor quality education and poor development in rural areas, another key factor is access to basic services. These include water, sanitation, re-

fuse removal, and electricity. The country's policies and legislation recognise the need to prioritise access to basic services by the poor, but in practice this has not proved to be the case, and those most affected are Africans, and generally women. For example, in 14 of the poorest municipalities (all rural and all in former homeland areas), over 50% of the population has no sanitation provision. Water access and electricity connection are also major challenges.

People based in the informal settlements suffer most as a result of inadequate access to services, while those in the more affluent areas relatively enjoy the benefits of clean and safe water, electricity connection and a healthier living environment.

INCREASED ACCESS TO PRIMARY AND SECONDARY EDUCATION BUT POOR QUALITY OUTCOMES

Bloch (2008) is of the view that although many challenges still remain, there were significant achievements in turning apartheid education around in the first decade of democracy. This has, according to Kraak (2008), been evident in increases in school enrolment, in investment by government and the private sector, and in institutional rationalisation processes and regulation.

Data from the Presidency (2008) indicate that education participation has increased since 1994, especially in the case of primary schooling. Between 2002 and 2007, the enrolment of five-year-olds had improved from 40% to 60%; for six-year-olds from 70 to 88%, and for 15-year-olds from 96% to 98%.

Gross enrolment rates in 2010 were 94% for the foundation phase grades (1-7), and 86% for the senior phase grades (8-12). In essence, South Africa has been successful in facilitating access to primary and tertiary education, particularly for the girl child. The country has achieved its goal on universal access to primary school education based on the Millennium Development Goals (MDGs) target for 2015.

There are also increases in attendance at all types of educational institutions except pre-school. Between 2001 and 2011, there has been an increase of about 100,000 in university enrolments.

Other important indicators relate to literacy and numeracy. Although literacy rate has increased from 72.7% in 2002 to approximately 84.2% in 2014 (Department of Performance Monitoring and Evaluation, 2014b), there is still a long way to go. Graeme Bloch argues that despite the fact that South Africa has higher levels of educational spending than most countries, it is amongst the worst performing in terms of literacy and numeracy.²²

22 'Education – from crisis to opportunity', *Mail & Guardian*, 3 February 2008.

YOUTH UNEMPLOYMENT AND THE NOT IN EDUCATION, EMPLOYMENT AND TRAINING (NEETS) CHALLENGE

Unemployment amongst young South Africans is chronic and structural. Three quarters of those aged between 15 to 24 are unemployed, and the majority have never had a formal job. This is due to the poor quality of education, inaccessible training and education opportunities, spatial poverty and limited opportunities for work experience. The implications of this are profound. The failure of society to absorb young people into the labour market threatens the future reproduction of the workforce. The size and skills of the labour force determine the path and pace of possible economic development. Of concern also are the social implications of this economic marginalisation. Psychological transitions from youth to adulthood are heavily dependent on the ability to support oneself and construct a new household unit. The resultant social marginalisation thus undermines social cohesion.

Even more worrying are the increasing numbers of the so-called NEET cohort, incorporating most young people between the ages of 15-24 in the country. Gender disparities are critical in this sector. Unemployment rates for young women are more than 10% higher than those of their male counterparts. The national NEET rate was highest (34.5%) amongst women aged 15-24 in 2014 (Statistics South Africa, 2014: 17). According to Marie-Smith (2011: 3), ‘almost one million students leave school after completing Grade 10 and approximately 700,000 who complete Grade 12 cannot continue improving their education.’ Marie-Smith warns that ‘South Africa’s unemployment rate clearly contributes to the social tension and anguish experienced on a daily basis’ (ibid.).

High levels of youth unemployment are to be found all over the world as a result of a shift from manufacturing and production to more capital-intensive modes of work. The situation is particularly grave in South Africa, however, given the total levels of unemployment, coupled with the shrinking of the manufacturing and mining sectors (many jobs have been lost in both sectors).

South Africa’s youth unemployment rate remains double the general unemployment rate, with over 70% of the unemployed in the 15-34 year age cohort (Statistics South Africa, 2014). In 2009, there were 18.4 million young people in this age group, accounting for just over 37.5% of the total population. New entrants into the labour market form nearly 40% of the unemployed. The economy still favours older workers.

Service Delivery Protests

Public protests have become increasingly violent. There were 12,654 strikes and service delivery protests in 2010 and 11,033 in 2013 (Habib, 2013). The Western

Cape and Gauteng provinces together account for half of the protests, supporting the view that they are largely an urban phenomenon (Karamoko and Jain, 2011). Given that the global financial crisis and the subsequent recession independently contributed to rising unemployment, it is likely that this period also influenced the frequency of service delivery protests (ibid.).

There are other issues worth highlighting about public protests. They seem to have been populated, if not spearheaded, by young African males, who bear the brunt of hardship emanating from lack of jobs. The lack of a comprehensive youth development policy and the non-existence of a labour market policy are to blame for this.

Many protests have been very disruptive, often leading to intimidation and loss of life. South Africa has experienced peaceful protests where protesters have handed over memoranda detailing lists of grievances. However, there are many more instances in which councillors have been attacked in their homes, and state property damaged. In a number of protests, rocks and stones have been thrown at passing motorists, and tyres burned to block passage of cars.

The challenges of socio-economic development in South Africa remain immense. The youth unemployment, structural poverty, corruption and white collar crime, gender-based violence and other forms of violent crimes, racism and increasing racial polarisation, increasing urban poverty and food insecurity are illustrative of these. They are, however, surmountable challenges that require an agile and a capable developmental state.

GOING NOWHERE SLOWLY: CHALLENGES OF LAND AND AGRARIAN REFORM IN SOUTH AFRICA

In 1994 the government set in motion a process that allowed people who lost their land after 1913 to lodge claims for restitution. This was revised in January 2013 when the ANC pledged to permit earlier land claims. In order to operationalise the dictates of the Constitution, the Department of Land Affairs developed a White Paper on Land Reform in 1997. This acknowledged that land ownership in South Africa has long been a source of conflict and that the history of conquest and dispossession, of forced removals and a racially imbalanced distribution of land resources, left the country with a complex legacy.

The 1997 White Paper on South African Land Policy envisaged a four-fold purpose for the land reform programme: to redress the injustices of apartheid; to foster national reconciliation and stability; to underpin economic growth; and to improve household welfare and alleviate poverty (Weideman, 2004). Under the programme of restitution, the state is to restore or return land or provide comparable compensation to people dispossessed by discriminatory

laws. The state is also to secure the rights of citizens whose tenure on the land they occupied was insecure. Alternatively, the state has to provide comparable redress through land tenure reform by modernising land tenure rules. The third pillar which is meant to benefit the majority of the landless is to implement a programme of redistribution, transferring more land to the previously disadvantaged African owners. The final component is for the state to provide funding and other resources to support the emergence of African farmers (Hall, 2003).

Restitution Pillar

Between 1994 and 2000, 63,455 claims had been lodged; however, only 4,925 were settled, the majority with cash payments, and only 162 involving restoration of land. Validated claims for restitution numbered nearly 80,000 by 2006, with 81% being in urban areas (Centre for Development Enterprise, 2008).

The government gave itself a 2008 deadline to finalise all the land restitution claims. Even though most of them involved urban land and could easily have been settled with cash payments, it failed to meet the deadline because of current owners taking cases to the Land Claims Court for determination. The Centre for Development Enterprise (2008) noted:

Land claimants are frustrated by these delays, and sometimes resort to land invasions. Politicians hear from their constituents that land reform is 'not working', while existing farm owners are unable to sell land once it has been gazetted as under claim. Banks do not accept gazetted land as collateral for loans. Incumbent farmers therefore lack the incentives and/or the money to continue working with the land, and it is sometimes taken out of production or allowed to deteriorate. This lack of confidence and motivation among farmers is now being exacerbated in many areas by the introduction of municipal rates in respect of farmland, sometimes at levels exceeding those applicable to residential properties, and potentially costing individual farmers hundreds of thousands of rands a year.

Prolonged challenges to claims not only disadvantage the prospective owners of the land, but also the current owner. The latter will not be able to access financial resources to utilise the land. Since most of the claimed land is now in urban centres, it is likely that the claimants will be compensated in the form of money, leaving them still landless and still needing to be resettled.

Redistribution Pillar

This sub-programme aimed to address the divide between the 87% of the land dominated by White commercial farming, and the 13% in the former homelands, by redistributing land to the landless poor, labour tenants, farm workers and emerging farmers for productive use. This was executed through grant-based mechanisms: a land acquisition grant of R16,000 per household from 1995 to

2000, and a land redistribution for agricultural development grant of between R20,000 and R100,000 per individual based on own contributions (ANC, 2012).

As Moyo (2013) indicates, only 4.7% of commercial agricultural land had been redistributed by 2007, a far cry from the 30% that the government hoped to have redistributed by 2014. White-owned commercial farmland in South Africa comprises 82 million hectares, meaning that the transfer target is 24.6 million hectares. The reasons given for this slow pace are high land prices and the lack of willing sellers (CDE, 2008).

Most of the redistributed farms are currently struggling financially. Most are faced with huge debts, poor infrastructure, and a lack of adequate support. Additionally, they face conflicts within the large group projects and poor skills development. The failure of the programme has been attributed to the fact that the White Paper on Land Policy commits government to approaching the issue of land redistribution using the willing seller-willing buyer principle. It also states that government will not be an active buyer, but will avail grants and services to assist the needy with the purchase of land from whoever is selling. In ensuring equitable land redistribution, the government has to navigate very difficult terrain because it has to fulfil the expectations of the landless but also respect the dictates of the law.

Tenure Pillar

The Constitution stipulates that ‘a person or community whose tenure is legally insecure as a result of past racially discriminatory laws or practices is entitled, to the extent provided by an Act of Parliament, either to tenure which is legally secure or to comparable redress’. The government has passed laws that seek to redress the weaknesses of the previous tenure system. The 1996 Land Reform (Labour Tenants) Act seeks to grant security to labour tenants on privately owned farms, and creates a redress process that they can use to gain full ownership of the land they occupy. The 1997 Extension of the Security of Tenure Act protects dwellers on privately owned land against arbitrary eviction and allows farm-workers to upgrade their rights from tenancy to freehold.

FRAGMENTED CIVIL SOCIETY MOVEMENT

Although the ruling political elite enjoy hegemony over the policy process, civic groups play a significant role in shaping policy outcomes in the country. Human rights lobby groups have successfully used the courts as an instrument of policy change, particularly in favour of minority groups. For example, the Treatment Action Campaign successfully launched a litigation case against the then government of President Thabo Mbeki to issue free antiretroviral treatment to HIV/Aids-positive South Africans.

The historic proximity of civic movements such as the COSATU and the South African National Civic Organisation (SANCO) to the ruling ANC, both formally and informally, has limited these groups' ability to change policy outcomes. The recent infighting within COSATU will have a negative impact on the rights of workers, as it seems to take priority over their demands for a living wage. Rather than mobilising support through public action, for instance, SANCO has often remained silent on critical questions facing its constituency. Some civil society groups have been unable to partner constructively with more adversarial organisations, such as Landless People's Movement, to effect change. This is worsened by the fact that civil society tends to be disorganised and fragmented. One view is that the government created this result by alienating civil society. Another is that civil society organisations lack the capacity to effectively engage government for social change.

POTENTIAL FOR DEVELOPMENTAL INTERVENTIONS

ECONOMIC POLICY

In order to realise human development, South Africa has to be honest in its assessment of its socio-economic achievements since 1994. As of today, it still battles with one of the central economic questions: wealth distribution.

The majority of South Africans live in abject poverty, while a minority reap the benefits of redistributive growth. The country needs a new mix of policy instruments that will ensure that the economy grows substantially and, most importantly, that it creates decent jobs.

The proportion of people employed in small businesses in South Africa is much lower than in most other countries, and so the government should continue to support community-based and micro and small enterprises development, particularly targeted at rural and unemployed youths and women. As the business sector is acknowledged to be an important engine of economic growth and job creation, the government needs to make a renewed commitment to improving the regulatory environment. The creation of new African-owned and African-controlled enterprises should be a key component of the strategy for job creation and economic empowerment, in which regard it is important to ensure that entrepreneurial South Africans have access to capital and credit, business development support, and procurement opportunities.

SOCIAL POLICY

South Africa's post-apartheid social development gains are commendable, but have not gone far enough. Programmes of social upliftment need improvement, as do education and skills development and healthcare.

Improving the quality of education, as well as industrial skills development, is an essential component of any human development strategy. Skills are essential to improve productivity, incomes and access to employment opportunities. Yet a striking feature of most poverty reduction strategies is the absence of vocational education and training (International Labour Organisation, 2003) even though the vast majority of those living in poverty cannot afford such opportunities. Stimulating the demand for labour and improving the responsiveness of the supply side of the labour market are important in boosting the earning power of the poor, and enhancing the growth potential of the economy.

As Mkandawire (2001) contends, collective interventions directly affecting transformation in social welfare, social institutions and social relations are critical. The government has, understandably, prioritised social provisioning. However, access to basic services, social pensions and strengthened social capital requires a robust policy that should guide interventions regarding the social wage in particular.

Social policy is an instrument for ensuring a sense of citizenship, 'which is in turn a prerequisite for sustained economic development' as Mkandawire (2001:12) argues. Social policy should work in tandem with economic policy towards advancing wellbeing. Therefore, the rethinking of social policy should be undertaken jointly with improving economic policy.

LABOUR POLICY

Employment is a key element of developmental state intervention, especially in realising economic and social transformation. South Africa needs to resolve the challenge of unemployment in general, and particularly youth unemployment, which has reached crisis proportions. Bearing in mind that employment creation and poverty alleviation will continue to be the most pressing challenges in the twenty-first century, it becomes essential to explore a development path that prioritises multi-faced strategies.

Firstly, such a path should optimise development within productive and labour intensive sectors for the creation of jobs and poverty alleviation. One of the main problems in boosting the pace of employment growth is that, although South Africa has faced a shortage of capital and an abundance of labour, past development strategies have often favoured capital investment. Agricultural policies, for example, have focused on commercial farmers and trading companies rather than targeting the needs of small farmers and landless labourers.

Secondly, to fully address the unemployment challenge, the labour market should function differently, particularly on the demand side. Youth training programmes play an important role in ensuring that the workplace becomes a fo-

cus of structured learning, and increases the chances of youth employment in key sectors. The government should scale up internship opportunities for unemployed graduates and out-of-school youth, thereby building entrepreneurial and business skills for the long-term establishment of new youth co-operatives and youth-driven small and medium enterprises.

Mlatsheni (2012) proposes that the private sector should also be instrumental in providing unemployed graduate youths with workplace training and experience through graduate programmes and vacation work. Graduates, in particular, should receive in-service training. Broadened options must be created to ensure that youths acquire relevant work experience prior to formally entering the labour market. There should be a set of active labour market interventions to increase the probability that graduates in particular are absorbed by the labour market. Initiatives must be promoted to transfer high-level technical skills and to facilitate work experience for unemployed matriculants and tertiary graduates with the aim of securing meaningful employment for them in strategic sectors in the economy. It is also important to ensure that there are more opportunities for matriculants to study at tertiary level, and second chances for the youth who fall between the cracks in education provision.

CONCLUSION

This chapter has shown that socio-economic development in South Africa has been commendable but slow. The weakness has been policy related. The country appears to have been drifting further away from being a developmental state.

The South African government has failed to adapt policies to the needs of the time, particularly from 1996 onwards. Nor have other stakeholders played the role they should have played, namely shaping and informing policy instead of criticising the government. It is also obvious that government and social partners should be paying added attention to the plight of the youth.

Any government that is serious about socio-economic development should strive for policies that address the challenge at hand. In the case of South Africa, the challenge at hand is precipitated by apartheid colonialism. Without attributing the inability to transform society squarely to the past, the power relations that shaped the historical experience of apartheid colonialism must be recognised.

The fundamental challenge facing South Africa is the manner in which state-market relations are structured. The neoliberal paradigm that has shaped post-apartheid policies has further entrenched unequal power relations and ensured that government got captured by capital, making it difficult to pursue radical reforms. To significantly move forward, the state-market relations should be tilted in favour of the development project.

The notion of a developmental state, and the imperative of advancing human development, requires that the state takes a lead and does not privilege capital over people. The policies and policy reforms that have been pursued since 1994 have been not been sufficiently effective because of the unbalanced relationship between the state and the market. Policies have largely tended to subordinate development and privilege the market.

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BOTSWANA

AFRICA'S DEMOCRATIC DEVELOPMENTAL STATE (DDS) OR
OUTRIGHT FLATTERY? TOWARDS *INCLUSIVE* DEMOCRATIC
DEVELOPMENTAL STATES (iDDS).*Sethunya Mosime & Gape Kaboyakgosi***INTRODUCTION**

'We are invariably touted – to a degree that at times borders on outright flattery – as a resounding success story.'¹

Botswana is a mineral-led economy which has enjoyed rapid economic growth over the years. It was counted amongst the world's fastest growing economies for the period 1985-2005 with growth averaging 8% per annum. It was also one of only thirteen countries in the world to have reached growth rates of 7% or more over a period of 25 years. Botswana's consistent economic success is impressive considering its humble beginnings. At independence in 1966 it was one of the poorest nation states in the world. It's impressive economic performance earned it the title of an 'African miracle'. While much of this could be attributed to the discovery of diamonds, the country also chose policies, and created institutions, that enhanced its chances for growth (Acemoglu et al., 2001).

The economic success story, coupled with electoral democracy, has earned Botswana two types of competing claims. One, from a modernist and developmentalist agenda sponsored through western liberal economics, depicts Botswana as proof that neo-liberalism can work in Africa. The second, in reaction against neo-liberalism, is of Botswana being an example of an African development state.

1 David Magang, former Cabinet Minister (in Magang, 2015).

The claim that Botswana is an example of an African democratic developmental state is assessed in this chapter. Part of the reasoning behind abandoning the neo-liberal approach was that it did not address inequalities and questions of social democracy. From a neo-liberal standpoint, inequalities were often seen as an indicator of the growth of a consumer middle class. Critics have warned against the use of 'developmental state' to describe Botswana. While Botswana admittedly does have some amount of economic growth and infrastructural and social development, critics argue that it lacks the structural transformation essential for developmental states (Hillbom, 2012; Shaw, 2012). Ellen Hillbom (2012) argues that because Botswana remains heavily dependent on natural resources for growth, has failed to build a strong private sector, and lacks thorough industrialization; calling it a developmental state waters down the explanatory value of the concept.

The first test for Botswana as a DDS is whether or not it is closing the income inequality gap; we must gauge the country's success in redressing historical social injustices, fighting poverty, promoting social cohesion, and avoiding capture by any vested interests such as political and economic elites (Evans, 1995; Edigheji, 2010).

BOTSWANA: A NEO-LIBERAL STATE, A DEVELOPMENTAL STATE OR A DEMOCRATIC DEVELOPMENTAL STATE (DDS)?

It has been argued by Acemoglu et al. (2003) that Botswana succeeded by strengthening private property rights, allowing pluralism and minimising the influence of political elites. The lesson for Africa in this neo-liberal narrative was that 'other sub-Saharan African countries could enhance their economies if they adopted Botswana's recipe for success by lowering taxes, balancing budgets, and becoming more tolerant of trade and foreigners' (Beaulier, 2005). The neo-liberal conclusion was that many African states were failed states because they did not follow this simple recipe.

By the early 2000s, the third wave of democratisation had yielded very little economic growth except for a few countries such as Botswana, South Africa and Benin. At the same time, the developmental states of Hong Kong, Taiwan, Singapore, and South Korea were able to realise economic growth and job creation without participatory democracy. They came to be seen to disprove the neo-liberal agenda that democratisation had a positive impact on attraction and retention of foreign direct investment (FDI). It was argued that such states derived legitimacy through the provision of jobs and improved livelihoods in lieu of civil liberties. They were often cited as evidence that democracy was poorly linked with economic growth (Pateman, 2012). Peter Evans (2014: 84) viewed

this trajectory as necessary for ‘countering the disturbing revival of outmoded Anglo-American anti-statist ideologies’.

Timothy Shaw (2012) explains that the United Nations Economic Commission for Africa (UNECA) has revived the term ‘democratic developmental states (DDS)’ as a developmental desideratum in its 2011 Economic Report. UNECA announced that Africa would be abandoning the ‘inherited market liberalisation’ in favour of a ‘developmental state approach’ based on lessons from East Asia, including Malaysia and Singapore, but also Brazil and Chile (Shaw, 2012: 838). Since then, a project that had lost momentum in the late 1990s of comparing Africa with the ‘Asian Tigers’ has regained interest.

For its proponents, the DDS model holds hope for restoring the dignity of the state against the neo-liberal position that the majority of African countries were failed states by the turn of the twenty-first century (Mazrui, 1995; Leftwich, 1998; Edge, 1998; Mkandawire, 2001). Concerned with this eulogy of the African failed state, by the 1990s many African political economists looked to the Asian Tigers for inspiration. They attempted to draw lessons that Africa could learn from them and to identify some African examples of developmental states. Botswana was on that list. However, the third wave of liberalisation took hold with the promise that loosening state control of resources would help attracting FDI and bring about economic growth. The project of identifying or pushing for African developmental states took a back seat until recently.

Ellen Hillbom (2012) rejects claims that Botswana is a developmental state, arguing instead that it is an elite-captured gate-keeping state, where access to resources is linked to control of the state apparatus. She argues that, as a result, economic and political power is in the same hands (Hillbom, 2012). This chapter goes further to argue that if Botswana does not aggressively pursue a human capacity transforming agenda, it is heading towards being a failed welfare state. Successful welfare states such as Denmark and Norway provide both social protections and social democracy. A failed welfare state emerges when more funds are channeled towards social protection that only creates dependency on the state without achieving transformation towards sustainable livelihoods. Social protection programmes thus become a means of sustaining an elite capture of the state while the poor use the ballot box to protect the unsustainable social protection programmes they have become dependent on. We warn against such a trend.

BOTSWANA’S EXCEPTIONALISM EXPLAINED: A STABLE ELECTORAL DEMOCRACY

This section provides a brief discussion of one of the factors that help explain Botswana’s recognition as a democratic developmental state – its democratic

practice. A brief rejoinder is provided to show some of the inherent challenges in the democratic system,

A characteristic of Botswana that has led to plaudits for the country has been consistent democratic practice in an African continent that eschewed democratic governance. Post-independence Africa had anti-democratic preferences, including one-party states, military coups, civil wars and instability. To the contrary, Botswana has consistently observed the rule of law, maintained a very stable political system, as well as government based on separation of powers. Botswana has been ruled by the Botswana Democratic Party since independence in 1966. Since the first national general elections in 1965, it has held multi-party elections every five years. Observer missions such as those from the Southern African Development Community (SADC) have consistently declared the elections 'credible, peaceful, free and fair' (Inter-Parliamentary Union, 2009).

Its capacity to act developmentally has led to the Botswana state obtaining a large amount of legitimacy amongst its citizens. The political opposition thus came to see electoral contest as the only legitimate way of attaining state power, in contrast to states which experienced wars and other attrition. A largely credible judicial system has also been allowed to adjudicate most disagreements in the country.

A Beacon of Hope in an Unstable Region

With pre-independence Southern Africa characterised by racial minority governments, such as South-West Africa (later Namibia), Southern Rhodesia (later Zimbabwe) and South Africa, Botswana was faced with hostile neighbors. The country's passive resistance to the aggression of South Africa, as well as its preparedness to project a positive human rights image, earned it global plaudits. Botswana was a beacon of hope in an unstable region.

ISSUES IN DEMOCRATIC GOVERNANCE

While Botswana's democratic credentials are well documented, the quality of the democratic system is a matter of intense debate. A number of terms have been used to point to the shortcomings of Botswana's democracy, including 'authoritarian liberalism' (Good, 1996) and the 'elite-captured gate-keeping state' (Hillbom, 2012). Certainly, due to the limited scope for participation in matters of governance by the general populace, Botswana's is a 'minimalist democracy' (Kaboyakgosi and Marata, 2013). Some of the challenges to Botswana's democratic system are assessed below.

Voting or Institutionalised Begging?

Attendant to the Botswana Democratic Party's electoral victories is an assured

voting base from mainly rural constituencies. The BDP tends to win predominantly rural seats, and not do so well in urban constituencies (Boone and Wahman, 2013), in spite of the fact that rural people are the worst affected by structural inequality. Kenneth Good (1999) has outlined the persistence and causes of structural inequalities in Botswana, but he does not address the question of why the rural poor consistently vote for the BDP.

To Botswana's credit however, crude vote-buying has not been reported in the country as it has in others such as Kenya, Uganda, Benin, Madagascar, Nigeria and Mali. In fact, Jensen and Justesen (2014) found it almost absent in Botswana and Lesotho in the data from the 2009 elections.

Voting as Freedom – Botswana Elections ‘Free’ and ‘Fair’?

Ensuring that elections are truly competitive is one reason that periodic alternation among the holders of top political office is considered a cornerstone of democracy (Cho and Logan, 2013: 2).

Amartya Sen (1999) views development as freedom. According to Sen, beyond economic indicators, the real test for development should be how it provides human capabilities to enable people to be in charge of their own destinies. Although Botswana has done well in terms of economic indicators and *prima facie* electoral democracy, there are several challenges with the country's electoral democracy. First, the Independent Electoral Commission (IEC) that oversees the elections is seen as not convincingly independent. Sebudubudu and Botlhomilwe (2010) have argued that it is effectively another government department because its administrative chief executive is appointed by the state president. It has also been argued that Botswana is a *de facto* one-party state. Critics have blamed the dominance of the ruling party on a weak civil society, disunited opposition parties and government's control of national media and restriction of coverage of opposition parties (Taylor, 2003).

Botswana elections have been found by international observer missions to be peaceful, free and fair. Nevertheless, both the Media Institute of Southern Africa (MISA, 2014) and the SADC Lawyers' Association (SADCLA, 2014) were concerned by the uneven reportage by the state-owned media that leaned towards the ruling party during the 2014 general elections.

Another concern about Botswana's electoral democracy is the limited participation of local election observers. The head of African Union Election Observer Mission (AUEOM) to the 2014 general elections and former President of Malawi, Joyce Banda, expressed concern about the 'low presence of citizen observer groups at polling stations. This is a noteworthy observation since the participation of citizen observers is crucial to the reinforcement of the credibility and

legitimacy of the electoral process'.²

Low Female Representation in Political Bodies

While women make 52% of the country's population they are faced with discrimination on many fronts. Their representation in decision-making bodies is not proportional to their numerical strength. Women represent 52% of the voters but they are overwhelmingly underrepresented in parliament. Table 1 shows that women's representation in positions of political responsibility is very low.

Table 1: Percentage of Women in Parliament: 1989-2009

Year	Total Seats	Women's seats	% women
2014*	61	5	8
2009*	61	4	7
2004**	61	7	11
1999**	44	8	18
1994**	44	4	9
1989**	38	2	5

**Source: adapted from EISA (2010) * Source IEC (2009 and IEC 2014)

The under-representation of women means that their voices are not sufficiently heard in decision-making fora, not only diminishing their democratic right to expression, but also taking away their capacity to be effective economic agents. The democratic institutions as currently operating do not take all voices on board.

The foregoing challenges do not necessarily disqualify Botswana's claims to be defined as a democratic developmental state, but they do show the shortcomings of the country's democratic development.

BOTSWANA'S ECONOMIC GROWTH: A SUCCESS STORY

A Mineral led Economy with Impressive Growth

A defining characteristic of Botswana's economic growth is that the country managed to avoid the 'natural resources curse' contrary to experiences of many countries endowed with mineral wealth (Sachs and Warner, 2001). Neo-liberal economists have attributed this to a strong legal and political infrastructure, good governance, political stability, and strong fiscal discipline (Acemoglu et al., 2003; Robinson et al., 2006; Iimi, 2006).

The Botswana government has a long-standing appreciation of the need to cultivate sources of revenue apart from diamonds. Such awareness, it is arguable, is due to the knowledge that mineral economies tend to be vulnerable to external shocks. Strategies employed by the government in pursuit of economic

2 'Observers hail Botswana election', *Mmegi*, 27 October 2014

diversification include the use of exchange rate policy, and monetary policy (Jef-feries, 2014). Monetary policy approaches have invariably looked to attract FDI through the maintenance of low interest rates, while exchange rates have been kept low to stimulate diamond revenues.

A number of initiatives were taken to ensure economic growth. A central bank, the Bank of Botswana, was established in 1975, and the government allowed it the latitude to manage monetary policy. In 1993, the Pula Fund was set up under the Bank of Botswana Act of 1975. The Fund has been used for revenue stabilization, and to save diamonds proceeds for future generations (RWI, 2013), but it faces several challenges: the lack of local and external oversight mechanisms, the lack of separation of the funds from Botswana's international reserves, and a lack of parliamentary or other formal approval of withdrawals from the Fund (RWI, 2013).

ISSUES IN ECONOMIC MANAGEMENT

The predominantly neo-liberal view of Botswana's economic performance needs to be taken with caution because of the inequalities it has produced. A fairer perspective is that propounded by Hillbom (2012), namely that Botswana has achieved economic growth but has failed to structurally transform the economy, and thus it fails the test of a developmental state.

Prior to current policy strategies aimed at economic diversification, particularly the Economic Diversification Drive (EDD), the government had implemented other policies aimed at diversifying the economy and aiding industrialisation. Amongst these was the Financial Assistance Policy (FAP), which provided grants to manufacturing, tourism and other non-cattle sectors. The FAP was discontinued after a review demonstrated a number of defects, and was succeeded in 2001 by the Citizen Entrepreneurial Development Agency, which provided a number of services to the private sector, including the provision of cheaper start-up loans and mentoring services for citizen enterprises.

Economic Growth, Poor Industrialisation and Diversification

The lack of structural transformation is reflected in the diamond-mining sector. While contributing substantially economically, diamond mining is highly capital-intensive, and employs comparatively very few people. Due to its lack of diversification the economy is highly susceptible particularly to external shocks. The most recent illustration of this occurred in 2008, when the financial crisis weakened demand for diamonds, leading to a fall in government revenues.

The poor structure of the Botswana economy is also characterized by the performance of the agriculture sector. The last time the sector grew at more 2% was in the late 1990s. Two primary challenges face the sector, the need to attract

younger people and the need to commercialise. While agriculture is important as a potential employer, and given that much of the country's population live in rural areas, the sector has continually declined since the 1980s (Vision 2016 Council, 2012).

Jobless Growth

Employment creation is one of the cornerstones of the democratic developmental state. It is important not only to create economic value, but also for the reduction of poverty. Botswana's challenge as a DDS is that economic growth occurs amidst high unemployment. The rate of unemployment in the country has been growing, from 14% in 1990 to 24% in 2005, and only declined, to 17.8%, in 2009/10 (Statistics Botswana, 2011). Among the causes of this are the high rates of under-employment in mining. Figure 1 shows unemployment rates by age.

The rates are particularly high in the 15-19 age group. On the demand side, there are insufficient jobs, while on the supply side, lack of proper training and the reluctance of young people to take up certain jobs tend to worsen the problem.

Added to that is an oversupply of interns through the government-funded Internship Programme. As employers are guaranteed interns, they have no incentive to retain them as employees. Some employers have also pointed to their lack of capacity to host the interns. Interns are largely placed in the public sector, and are therefore not given opportunities to learn entrepreneurship skills. The fact that the programme is poorly monitored means that employers rarely teach interns any new skills, rather treating them as a source of cheap labour.

Another challenge with youth employment schemes is the issue of sustainability. For example, there is no preferential scheme for youth held businesses, meaning that they stand little chance for survival. The Public Procurement and Asset Disposal Act gives no special support for youth schemes, and nationally there is no marketing effort to promote such businesses. Other broad based schemes such as *Ipelegeng*, which are not necessarily focused on youth, have little impact on the economy and contribute little to youth skills development.

Poor Co-ordination of Economic Development Initiatives

There is too little co-ordination between the organisations involved in economic diversification, including the Local Enterprises Authority (LEA), the Botswana Investment and Trade Centre (BITC) and the Botswana Development Corporation (BDC). These institutions are housed under the Ministry of Trade and Industry while the National Development Bank is under the Ministry of Agriculture. Furthermore, all of the organisations report directly to their boards of directors and not to one unified authority such as a minister. Sometimes the fragmentation

is so fierce that the same organisations have been said to compete for clients.

Another challenge is the absence of a one-stop service centre for registering businesses, making it difficult to be efficient and competitive. To register a business in Botswana, one has to go through tax authorities, company registration authorities, land allocation authorities, health, security and others.

Poor Monitoring and Evaluation of Edd Initiatives

The BDC was formed as a company limited by guarantee in 1970. It was set up to pursue business activities that the then nascent private sector could not realistically pursue. The Trade and Investment Promotion Agency (TIPA) was folded into the Botswana Export Development and Investment Authority (BEDIA). BEDIA and the International Financial Services Centre were later merged to form the Botswana International Trade Centre (BITC). BEDIA was subject to a forensic audit, the contents of which were never made public. However, newspaper accounts suggested impropriety, including insider trading amongst the staff.

Another challenge to diversification is a number of ill-suited regulatory frameworks that not only frustrate entry, but also protect poorly performing state-owned monopolies. Whereas Botswana's economic landscape has experienced the rise of new regulatory frameworks in the recent past, these tend to restrict the conditions required for economic growth, and thereby diversification. For instance, the Botswana Meat Commission (BMC) Act gives exclusive rights to the state-owned BMC to export meat and meat products from Botswana. In particular, the Act contains the following two conditions:

1. No person other than the Commission shall export cattle or edible products from cattle from Botswana unless he is in possession of a permit in writing to do so issued by the Minister under this section.
2. No such permit shall be issued without the concurrence of the Commission or unless the Minister declares by order published in the Gazette that by reason of exceptional circumstances it is in his opinion clearly in the public interest to issue such permit without the concurrence of the Commission.

Forbidding exportation means that the business cannot grow, since domestic demand is not sufficient to service both the BMC and private farmers. The World Bank (2012) suggests that protectionism also hinders the enterprise from improving its capabilities.

The case of the BMC Act signifies the challenges that regulatory frameworks bring to economic diversification. Other laws lack competitive neutrality as they treat state agencies differently from other market actors, diluting regulatory dis-

cipline, and thus leading to undesired outcomes.

ASSESSING BOTSWANA'S PERFORMANCE AS A DEMOCRATIC DEVELOPMENTAL STATE

The next section describes Botswana's trajectory under the DDS framework. The framework includes infrastructure development, building a professional public administration, consensus building, healthcare, HIV and AIDS vulnerability, social protection mechanisms, and education and skills development.

SOUND INFRASTRUCTURE DEVELOPMENT

Infrastructure, the capital stock that provides the backbone on which the social and political productivity takes place, is arguably one of the major investments any democratic developmental state can undertake (Farole, 2014). The soundness of a country's infrastructure is a major factor in the realisation of the productive capacities of agriculture, manufacturing, and other industries. Infrastructure is needed for the enhancement of economic diversification programmes, for delivering energy and water needs, and for poverty reduction.

The development of social and economic infrastructure in Botswana has been laudable. Schools, health facilities, a quality road network, airports, a power station, and public sporting facilities are just some of the infrastructure stock owned by the country. The Water Utilities Corporation (WUC), provides water to most parts of the country. Whereas the access rate to clean, potable water was only 77% of the population in 1996, it has now grown to 95% (Vision 2016 Council, 2009). Access to sanitation services is also improving. Air Botswana provides air transport to and from foreign destinations and remains the sole provider of scheduled domestic flights. The state-owned Botswana Power Corporation (BPC), is the country's sole power supplier. Botswana Railways provides rail transport.

ISSUES IN INFRASTRUCTURE DEVELOPMENT

In general, Botswana has prudently invested the proceeds from diamonds into infrastructure, but the country's infrastructure deficit remains sizeable Farole (2014). Infrastructure faces a number of challenges, including supply-driven provision, poor long-term planning, and a lack of alternative financing measures. The public sector remains the dominant financier. According to the Africa Infrastructure Country Diagnostic, Botswana has a funding gap in its infrastructure programme of \$336 million a year. Whereas Botswana has a Public Private Partnerships policy (MFDP, 2009), government has been reluctant to roll out the programme, and lacks trained personnel, reducing options for more, non-state centred mechanisms for infrastructure funding.

Water and electricity provision are two of the more difficult infrastructure challenges for the country. Water is provided largely by the parastatal Water Utilities Corporation, and electricity by the Botswana Power Corporation, a monopoly established by the Electricity Supply Act of 1973.

Although both corporations are well financed by government, the sector experiences very low productivity, leading to intermittent power cuts, massive importation of electricity from South Africa, and largely incessant water restrictions. Botswana has two power stations, Morupule A and Morupule B, located near the Morupule Colliery. The potential however, to utilise these optimally is great as Botswana has amongst the largest coal reserves in Africa (Sengwaketse, 2014).

While Botswana is a net importer of electricity from South Africa, that country's own power deficit means Botswana must produce own supply. The water situation is no different, as Botswana is currently in a state of water crisis due to severe water supply challenges.

PROFESSIONAL PUBLIC ADMINISTRATION

Supporting Botswana's developmental path has been the country's public administration machinery, regarded as one of the most professional in Africa. A number of historical factors have been used to explain this phenomenon (Somolekae 1998). First among these is that the British protectorate administration had deemed the Bechuanaland Protectorate as of little economic value, and spent very little on the development of the bureaucracy. Consequently the public service was allowed to develop with little interference, becoming better organised than the politicians, who had fewer technical and administrative skills. The bureaucracy was allowed a chance to continue without much disruption as it was viewed with less suspicion or hostility.

Another factor in the development of Botswana's public service is timing. Whereas the pre-independence public administration focused on the maintenance of law and order, the post-independence public machinery was created for reasons of pursuing the developmental agenda. The public administration was allowed the space to operate in an autonomous, mainly technocratic, manner, and to run the country without undue political influence.

To further enhance the capacity of the public service, the government created a number of centres of excellence, or hubs, to promote best practices and economic growth. There are currently six hubs – Diamond, Transport, Agriculture, Education, Health, and Innovation – co-ordinated by the National Strategy Office, which is also in charge of promoting the National Excellence Strategy.

Another characteristic of Botswana's administration machinery is its relative

adherence to ethical governance. Since 1996, when Transparency International began assessments of the state of corruption in Botswana, the country has continually been ranked as Africa's least corrupt nation. Following critical reports from a number of Presidential Commissions of Inquiry implicating high-profile political and industry leaders in corruption, the 1990's saw an aggressive building of anti-corruption institutions. The Kgabo Report of 1991 implicated Minister Daniel Kwelagobe and former Vice President Peter Mmusi in illegal land acquisition in Gaborone and surrounding peri-urban areas. The 1992 Presidential Commission of Inquiry led by Richard Christie on the Operations of the Botswana Housing Corporation (BHC) identified 'gross mismanagement and dishonesty' in the BHC 'resulting in the loss of tens of millions of Pula' (Good, 1994: 504). In 1994, the Corruption and Economic Crimes Act was passed, following which the Directorate on Corruption and Economic Crime was created. The Office of the Ombudsman followed in 1995. As the centerpiece for anti-corruption management, the Corruption and Economic Crimes Act (CECA), is complemented by a number of other laws:

- The Intelligence and Security Act of 2007 facilitates the gathering of intelligence by any public office, including ministries.
- The Financial Intelligence Act empowers the state to act against money laundering and other financial impropriety, to trace assets derived from criminal activities, including corruption, and to monitor suspicious financial transactions.
- The Public Financial Management Act monitors public expenditures, and empowers ministers to ensure accountability of public expenditures, as well collecting remittances.
- Both the Public Procurement and Asset Disposal Act and the Local Authorities Public Procurement and Asset Disposal Act facilitate the management of public procurement.

ISSUES IN PUBLIC ADMINISTRATION

Notwithstanding its potential for transformative effect, if optimally implemented, the National Excellence Strategy unfortunately suffers from a lack of monitoring and evaluation. Since its inception, the Strategy has not been evaluated (or if it has, the results are unknown to the public), making it difficult to understand how this important initiative is progressing. For instance, are all projects that were envisaged under the Strategy still relevant? Have priorities changed? Have the projects provided value for money? With the exception of government failures in the public sphere such as the Morupule B Power

Station (discussed earlier as part of the infrastructure challenges), it is largely unknown how the Strategy is progressing.

Declining Accountability and Implementation Capacity

An attendant challenge to Botswana's public administrative capabilities has been a decline in accountability and corporate governance standards. From failing public enterprises with suspicious business deals (for example the Botswana Meat Commission, Botswana Development Corporation, Botswana Innovation Hub), to allegations of corruption and wrongdoing amongst politicians, Botswana seems to be losing some of the governance capacities that earned it global acclaim (Kaboyakgosi and Marata, 2013).

Added to this, implementation capacity is declining, with national projects typically being delivered over budget, with poor workmanship or beyond agreed deadlines, even in relatively straightforward undertakings such as construction – some stadiums, and the national airport, meant to be complete in 2010 are still unfinished (ibid.).

Tense Labour Relations

The Public Service Act of 2010 allowed employee groups to form trade unions. Prior to that, they only had the right to form associations of employees, with the implicit understanding that striking was not allowed. The Botswana Federation of Public Sector Unions (BOFEPUSU) subsequently embarked on a strike, which was Botswana's longest ever (Bothale, 2012). Government's unwillingness to engage the public sector unions to find a solution to the strike was further compounded by government's classification of teaching – among others professions – as an 'essential service', thereby disqualifying teachers from industrial action; the classification was later annulled in court.

The relationship between the state and trade unions is further complicated by the fact that unions have taken a more active role in political campaigns, invariably supporting the opposition. Prior to 2010, labour unions were not only barred from being openly political, they adhered to that expectation. Tensions over labour relations have continued, and are played out in various arenas, including courts of law.

The uneasy relations between the unions and government are also characterised by the latter's continual ignoring of the Public Service Bargaining Council. The Council was set up under the Act to facilitate the negotiation of salaries and other conditions of employment. The Directorate of Public Sector Management (DPSM) represents the government on the Council, but has repeatedly failed to attend meetings, thereby frustrating the unions. In addition, the government has increased salaries of public employees outside of negotiations with the Council,

thus rendering it immaterial.

Challenges To Managing Anti-Corruption Activities

Admirable as Botswana's fight against corruption is, it exhibits a number of shortcomings:

- The lack of a whistle-blower protection law;
- The lack of a law on the declaration of assets and liabilities for public leaders; and
- The lack of a law on freedom of information.

That these laws do not exist means the country lacks legal instruments fundamental to transparency and accountability. Indeed, Botswana's anti-corruption efforts appear to have stagnated. In 1997, it was rated as Africa's 23rd least corrupt country according to Transparency International's Corruption Perception Index, before declining to 38th. It has since stabilised in the low 30s, suggesting that Botswana's efforts are either not bearing fruit or perhaps that there are no efforts towards improvement.

CONSENSUS BUILDING MECHANISMS

A number of nationally significant structures and processes have been set up in order to generate consensus between major socio-political players and economic actors with the state. Such approaches not only create consensus, they also go a long way in providing the basis for public accountability and policy discussion as they set widely agreed targets for development. These mechanisms include Vision 2016, the All Party Conference, the National AIDS Council, and the High Level Consultative Council.

National Aids Council

Botswana's developmental trajectory risked reversal due to the aggressive nature of HIV infections. By the turn of the 1990s, Botswana was one of the most affected countries in the world in terms of HIV prevalence. HIV/AIDS was more than just a health problem; unabated, it carried negative implications ranging from a lower than expected population growth, declining labour productivity due to increased absenteeism, high morbidity, high expenditures in health care and social disintegration (Greener et al., 2000). Among its many responses, the government established the National AIDS Council (NAC) as a way of mobilising consensus and co-ordinating national responses.

The NAC was also an oversight body to the National Aids Co-ordinating

Agency (NACA), which drafted the National Strategic Framework to clarify implementation strategies mobilise resources, and encourage organisations in the public, private and not-for-profit sectors to design programmes that recognise the multidimensional aspects of HIV/AIDS. Locating NACA in the Office of the President was meant to give the agency authority to co-ordinate programmes, and send the message that HIV/AIDS was more than just a health matter.

Vision 2016

The Vision 2016 Council was the brainchild of Sir Ketumile Masire, and emerged in 1996 after a process of widespread national consultation on how people envisaged Botswana in 2016, 50 years after independence. It has seven broad developmental goals: An Educated, Informed Nation; A Prosperous, Productive and Innovative Nation; A Compassionate, Just and Caring Nation; A Safe and Secure Nation; An Open, Democratic and Accountable Nation; A Moral and Tolerant Nation; and A United and Proud Nation (Vision 2016 Council, 1997).

Vision 2016's notable targets are a zero HIV infections rate by 2016; a foreign direct investment rate of 41% (making it the highest in the world), and full employment. Whereas these are not realistic, even by the admission of Vision Council (Vision 2016 Council, 2009), they do set a framework for concerted national action.

High Level Consultative Council

An important consensus-building institution is the High Level Consultative Council. Chaired by the President of the Republic, it facilitates the exchange of views between the private and public sectors. It meets at least biannually, unless if there are special issues that need urgent concern. During its meetings, ministers give reports on progress on issues of concern to the private sector, including the expectation that they will point out strategies that they intend to put in place to address such challenges. Decisions made at this forum have often gone on to form part of national policy.

Government-Business Relations: The Case of BOCCIM and The HLCC

The National Business Conference is a biennial gathering of business people and senior government leaders co-sponsored by BOCCIM (now rebranded Business Botswana), and the Ministry of Investment, Trade and Industry. Such meetings aim at finding solutions to prevailing challenges deemed important to the functioning of the private sector. For example, the last NBC, held in 2012 had the theme 'Implementation' and one of the resolutions was for the Ministry of Trade and Industry to harmonise laws and policies that work at cross-purposes (BOCCIM, 2012).

ISSUES IN CONSENSUS BUILDING FOR DEVELOPMENT

A number of challenges beset Vision 2016. One of these is the lack of information on which to measure progress being made towards attaining its goals. Botswana does not actively pursue an evidence-based policy approach as part of administrative culture. Added to this, is the over-ambitious nature of the goals themselves, and the fact that the Council lacks the authority to gain compliance and therefore can be ignored with no consequence (Kaboyakgosi and Mookodi, 2014).

Though laudable, a number of the consensus-building mechanisms face challenges which often make them appear token, or simply unworkable. As these are predominantly about addressing government-business relations, BOCCIM (since rebranded Business Botswana), is invariably found at the centre of these initiatives.

While widely recognised as the body that co-ordinates private sector activities, BOCCIM faces a number of technical and political challenges, including a lack of M&E capacity, and an inability to conduct market intelligence surveys with which it can support its members. As it consists of sectors (construction, education, health, etc.), some of these have more members than others and are perceived to be more influential inside BOCCIM.

Political challenges include the perceived lack of independence of BOCCIM, particularly the overreliance of businesses on the state. While the BOCCIM secretariat is funded from member subscriptions, government also pays a significant portion of its running, which reduces the capacity of BOCCIM to actively challenge it. Due to government's economic strength, most businesses end up relying on state patronage for survival; this is in stark contradiction to the character of a developmental state, namely that of embedded autonomy, and the avoidance of executive capture of business, or business capture of the executive.

BOTSWANA'S SOCIAL PROTECTION SYSTEM

A key characteristic of a DDS is the capacity to address the vulnerability of its population. HIV and AIDS, poverty, education and skills development have been some of the most important causes of vulnerability for Botswana in the last three decades.

Botswana's response to HIV and AIDS was perhaps one of the best in the world. The government has made great strides in reducing vulnerability to diseases. Botswana's first case of HIV was discovered in 1985, but the country quickly became the most affected in the world, leading to a lower than expected population growth, declining labour productivity due to increased absenteeism, high morbidity, high expenditures in health-care and social disintegration (Greener et

al., 2000). At present, Botswana is second only to Swaziland in terms of countries most affected by HIV and AIDS in the world.

Faced with this debilitating challenge, the Botswana government's responses were decisive. Botswana's third president, Festus Mogae, became chairman of the NAC, ensuring that resources were availed to fight HIV and AIDS. Among its interventions were Routine HIV Testing and Voluntary Counselling and Testing, which is carried out in conjunction with the Tebelopele Counselling Testing Centres around the country. The Ministry of Health facilitates voluntary testing for all who come to public health facilities (Vision 2016 Council, 2012). The government also offers free antiretroviral therapy (ART) to patients with a CD4 count of 350 or lower. The programme reaches over 95% of beneficiaries. The Prevention of Mother to Child Transmission (PMTCT) programme targets pregnant women infected with HIV who attend public health facilities. They are supplied with antiretroviral drugs to prevent the transmission of HIV to their unborn children. To further augment the ART programme, the Baylor Children's Clinic in Gaborone provides ART to children. The wider ART programme is said to have reduced overall mortality through HIV by extending the lifespan of sufferers. PMTCT on the other hand had a 95% success rate, meaning that only five in a hundred children of would-be mothers with HIV were actually lost to the pandemic (Vision 2016 Council, 2012).

In response to the prevailing poverty situation, Botswana has an extensive social protection system that covers the majority of its poor. Table 2 below lists the components of this in terms of their reach as well as their cost as a portion of the gross domestic product. Though sizeable, the quality and sustainability of Botswana's social protection programmes is questionable. It begs the question: is it social protection or a sign of a failing welfare state? Their administrative capacity, fragmentation and poor targeting remain open to criticism. The inability of the programmes to graduate recipients from poverty, and the creation of a dependency syndrome amongst the citizenry, remains a major weakness.

Programmes such as the free twelve-year basic education, largely free health-care, active labour programmes, and social safety nets attest to the intention of the government to provide decent living standards for the poor. Social safety nets include the Orphan Care Programme that targets children below the age of 18 who have lost one biological or adoptive parent. Introduced in 1999, the programme provides orphans with such basics as food, shelter and clothing, as well as other necessities such as school uniforms.

The Destitute People Programme provides packages to the destitute, including funeral expenses, rehabilitation for targeted adults, personal hygiene items, and cash and food rations. The Old Age Pensions Programme (OAP) is a non-con-

tributary scheme that pays citizens over the age of 65 the sum of P300.00. The School Feeding Programme, formulated in 1966, targets both the primary and secondary school children as way of tackling malnutrition, preventing hunger and retaining children in class during the school day, improving class attendance by learners and providing students with a balanced diet.

To provide short-term employment of unskilled and semi-skilled labour the government introduced a Public Works Programme – *Ipelegeng*. The programme provides short-term employment and relief while simultaneously ensuring that projects essential to community welfare are carried out. The programme supports a sizeable number of public programmes such as tourism and community policing (World Bank/BIDPA, 2013). Poor citizens over the age of 18 who are unemployed are targeted. Presently *Ipelegeng* pays P480 monthly.

Table 2: An Overview of Botswana's Social Protection System

	Spending in Pula	Share of GDP (%)	No. of Benefi- ciaries	Share of Popula- tion
Pensions and Other In- surance	1435	1.2		
Public Officers Pension Fund	1087	0.9	6600	0.3
Non-contributory Pension Plan	348	0.3	n/a	
Active Labour Market Program	214	0.2	4928	0.2
National Internship Pro- gram	73	0.1	2891	0.1
Apprentice Program (MTCT)	20	0.0	949	0.0
Youth Development Fund	97	0.1.	1088	0.1
Youth Empowerment Scheme	24	0.0	Na	
Social Safety Nets	3698	1.7		
Cash and Near Cash	833	0.7		
Orphan Care	301	0.2	40 030	1.9
Destitute Persons	241	0.2	30518	1.5
Old Age Pension	279	0.2	93639	4.5
In-Kind Food Transfers	651	0.5		

	Spending in Pula	Share of GDP (%)	No. of Benefi- ciaries	Share of Popula- tion
Vulnerable Group Feeding Program	166	0.1	383392	18.3
Primary School Feeding Program	275	0.2	268761	12.8
Secondary School Feeding Program	210	0.2	161929	7.7
Public Works/Ipelegeng	409	0.3	55000	2.6
Poverty Eradication Initiative (APP)	104	0.1	3586	0.2
Other Transfers	38	0.0	3424	0.2
4. Sponsorships/Scholarships	1674	1.4	28507	1.4
Total Social Protection and Labour	5347	4.4		
Memorandum Items				
GDP Millions	122 500			
Population			2099,601	

Source: (World Bank/BIDPA (2013))

Education and skills development is a cornerstone of a democratic developmental state. Botswana has shown commitment to equipping citizens with quality education and skills. The country has a system of universal, free, twelve-year education with high enrolment at primary, junior and senior secondary levels. Enrolment rates are 90% for primary education, 24% for senior secondary school and 16% for tertiary level education (Vision 2016 Council, 2012).

The country has made good progress towards the Millennium Development Goal of achieving universal access to ten years of basic education for its children. The education sector accounts for about 25% of public expenditure, and investment in education has been increasing at an annual rate of 4% over the last decade. The investment has gone into infrastructure, adequately staffed schools, rising teacher qualifications, and adequate supplies of equipment and materials in schools (UNDP, 2014).

Technical colleges dedicated to vocational education have been built in Gaborone, Jwaneng, Francistown and Maun. The University of Botswana is the country's oldest university. The Botswana International University of Science and

Technology (BIUST) is a specialist science and technology institution, which is yet to fully take off. A number of private institutions, notably Botho University, ABM University College and Ba Isago University, have been accredited by the Tertiary Education Council (since reconstituted as the Human Resources Development Council), with a view to containing the costs of training young Batswana overseas. These and other investments in education have led to a constant growth in literacy rates, from 34% in 1981 to 83% in 2009 (Statistics Botswana, various years).

Making Good Of Diamond Revenues

Is Botswana, as Ian Taylor (2003) concluded, ‘as good as it gets in Africa’? From a neo-liberal stance, a successful state must meet the basic functions of a sovereign territory. Such a state must have:

supervision of the nation’s resources; effective and rational revenue extraction from people, goods, and services; the capacity to build and maintain an adequate national infrastructure (roads, postal services, telephone systems, railways, and the like); the capacity to render such basic services as sanitation, education, housing, and health care; and the capacity for governance and the maintenance of law and order (Mazrui, 1995).

The chapter has demonstrated that Botswana’s developmental trajectory has produced a reasonably sound infrastructure system, increased literacy rates, made accessible to deserving citizens some means of social protection to alleviate vulnerability, and when faced with possibly its highest developmental challenge as an independent state, HIV/AIDS, the country responded as well as any nation could. However, was this enough? The answer is, quite possibly not.

Botswana, it appears, performs very well in terms of what diamond revenues can buy, such as roads, schools, infrastructure and clinics. When it comes to complex matters such as economic diversification, HIV/AIDS, or poverty alleviation, the country falters, extremely in some instances. The decline in indicators of accountable governance, a seeming reluctance to strengthen anti-corruption institutions, and poor governance of state-owned corporations add to the list of less positive signs. There are other shortcomings, too:

- i. The quality of the democracy is questionable. Public participation is limited, and women, and some ethnic minorities, are grossly under-represented.
- ii. The economy is diversifying rather slowly, perpetuating unemployment, especially amongst the educated youth.
- iii. The implementation of public projects is increasingly problematic; overspending and late delivery are now commonplace.
- iv. Anti-corruption efforts seem to have reached a level where no im-

provements are being achieved.

- v. Income distribution is highly skewed, making the country one of the most unequal in the world.
- vi. Social safety nets do not lift recipients out of their impoverished situations; and they exhibit elements of waste and poor targeting.
- vii. Education and skills development are largely unresponsive to national developmental needs. The expenditures in education are not reflected in productivity improvements.

BOTSWANA'S SOCIAL PROTECTION SYSTEM: SUSTAINABILITY AND THE POSSIBILITY OF A FAILED WELFARE STATE

Most determining as to whether the social protection programmes qualify Botswana as a DDS is the question of sustainability and meaningful livelihoods transformation. Even proponents for Botswana to be classified as a DDS such as Peter Meyns (2010) have to admit to the high income and wealth inequalities and that poverty levels are persistently high. Afrobarometer 2014 figures show declining public confidence in the direction the country is taking. More Botswana were reporting deprivation of basic needs such as water, cash income and food. Unemployment was perceived to be the most critical problem. Trust in the presidency was at 67%, a 10% drop from 2008. Notwithstanding this, the president enjoyed more trust than other political leaders in 2014. Trust in opposition parties remained at a low 37%, an increase of 7% from the 2008 survey. Confidence in government's management of the economy dropped from 76% in 2008, to 67% in 2012 and a further decline to 64% in the 2014 study. Perceptions about how well government was addressing education showed a decline from 83% in 2008 to 70% in 2014. There was growing dissatisfaction with provision of water and sanitation. The government's fight against corruption was perceived to be worsening, at 53% compared to 69% in 2008.

Social Protection Programmes, Growing Social Inequalities

A major cause of vulnerability in Botswana is poverty. Figures from the Botswana Core Welfare Indicators Survey (BCWIS) show poverty levels as having been in steady decline, from 59% in 1985/86 to 47% in 1993 and to 20.7% in 2009. Such declines are commendable, but are still intolerably high for a middle-class economy. Data from the Botswana Core Welfare Indicator Survey shows 20.7% of the country's population living below the poverty datum line.

According to a review by the World Bank/BIDPA (2013), both the number of beneficiaries and the costs of running *Ipelegeng* have increased in recent years. Additionally, some of the programmes work at cross-purposes. *Ipelegeng* pays

a lot more than the minimum wage, and attracts people away from agriculture, thus further weakening an underperforming sector (Seleka et al., 2007).

The social protection programmes also overlap, to the extent that they even benefit people already earning pensions from their former employment. Old age pensions are earned by all citizens over 65 irrespective of whether they have an occupational pension scheme or not.

BOTSWANA'S HIV AND AIDS PROGRAMME: WIDE COVERAGE ALONGSIDE DISCRIMINATION OF MOST AT RISK POPULATIONS

Whereas Botswana's HIV and AIDS programme was correctly recognised as amongst the world's best, a number of factors affected its efficacy. Amongst these were cultural challenges such as persistent stigma against those affected by HIV and AIDS; mobile populations such as truck drivers whose procurement of sex compromised prevention measures; the existence of a culture that condoned multiple sex partnerships, as well as sexual liaisons between younger females and much older males. It can be argued that managing these is not the state's responsibility. However, other challenges such as discrimination against sexual minorities and prisons populations could have been managed better by the state.

Gays and lesbians suffer from a lack of protection before the law despite not being actively persecuted or prosecuted by the state for being gay. Botswana laws criminalise sodomy and thus prejudice the gay and lesbian community (Ndlovu, 2012). A number of examples exist to this effect:

1. Government refuses to register LEGABIBO, the Lesbians, Gays, and Bisexuals of Botswana, thus taking away their right to organise freely. In its defence, the government argues that LEGABIBO stands for matters that are against the law in Botswana, even though such illegality has not been clearly proven (Kaboyakgosi and Marata, 2013).
2. The government refuses to provide condoms to prisoners, despite evidence that homosexual sex does occur in Botswana prisons. The effect of such a stance is that people who indulge in gay sex are not protected against sexually transmitted diseases (Mogwe and Melville, 2012)
3. The lack of provision of antiretroviral drugs to prisons inmates of foreign origin, and of condoms to prisoners, poses serious danger to public health. It is not inconceivable that once released, prisoners who contract HIV and AIDS in prison may spread the virus to their spouses or lovers, thus undermining what is otherwise a commendable provision of health services.

Education and Skills Development: high access rates, poor quality of education

Despite the significant investments in the sector, Botswana's education system is considered as largely unresponsive to the needs of the economy. For example, as a diamond producer of note, the country does not have a diamond training institute of any repute, nor a mining school. Views from the mining sector are that the curriculum is too theoretical; school leavers need intense retooling once they are recruited to the mining houses. (Mphathi, 2012).

Similarly, while the country has a reputation for livestock production and wildlife management, training for such vocations is lacking. The country tends to take an approach that is supply driven. Year after year graduates are produced whose education lacks direct relevance to the needs of the economy. One of the causes of this malady appears to be that when formulating curricula, many of the training institutions do so without consulting industry.

There is also a lack of inclusiveness in the education system, whereby only English and Setswana are used as a medium of instruction, depriving learners from other ethnic backgrounds the opportunity to learn in their mother tongue. Whereas Vision 2016 Council (1997) envisaged that all of Botswana's ethnic languages would be used as media of instruction, particularly for lower primary education, this has not been realised. Furthermore, the education system is yet to fully embrace early child learning at pre-primary level, despite its widely acknowledged benefits. Another driver of exclusion is the 'cost sharing' policy of charging every child P300 for secondary education.

While Botswana has made impressive investments in education facilities, the Vision Council notes that the country is not getting value for money, as it continues to decline in a major world indicator for quality of education. Botswana's ranking on the Knowledge Economy Index (KEI) fell five places since 1995, to 85th in the world in 2012 (Vision 2016 Council, 2012: 32). The quality of education has been partly affected by Botswana's system of automatically promoting learners from standard one to form three, leading to higher failure rates. A more recent problem is the increasingly fractious relationship between the teaching fraternity and the government; ever since the industrial action by public servants in 2010, teachers' welfare has been an issue, particularly around examinations time.

CONCLUSION: TOWARDS INCLUSIVE DEMOCRATIC DEVELOPMENTAL STATES (IDDS)

We have shown in this chapter that, despite the resources and policy changes made to meet the neo-liberal demands for investor-conducive environments, Botswana continues to struggle to attract FDI. The economy remains diamond dependent and unable to achieve any trickle-down benefits. Unemployment and poverty remain high, and the small private sector is heavily reliant on govern-

ment. As such, the claim of Botswana being a neo-liberal success cannot be sustained. On the other hand, unless we take DDS as a normative framework to aspire to, Botswana also fails on the grounds of persisting social inequalities. The country has done better than many others in providing social protection, but a number of challenges remain, including the high level of income inequality. Botswana is amongst the most unequal societies in world; does this mean the social welfare system has failed? Or was the social welfare system never geared towards reducing these inequalities in the first place?

It is noble that African states may want to achieve the status of Democratic Developmental States. However, lessons from Botswana point to highly skewed resource distribution, and reduced space for citizen participation in decision-making. It appears that the government is keener on increasing education provision without necessarily empowering learners with the skills that can graduate them out of poverty (Mogwe and Melville, 2012).

In its attempt to balance neo-liberal and DDS models, Botswana is getting the worst of both worlds: social inequalities and chronic dependency on state social protection programmes. As in neighbouring South Africa, 'neo-liberalism reproduces economic growth and prosperity for a minority alongside chronic poverty and unemployment for the majority, who receive compensation in the form of social grants' (Devereux, 2013: 18). The social transfers to the poorest citizens are often used to quell social unrest and deflect calls for alternative economic models or radical political reforms (Devereux, 2013). This is linked to the elite capture of the state (Hillbom, 2012).

Defending the case for Botswana as a DDS, Meyns (2010: 55) maintains that 'Botswana's democratic system is certainly not perfect. Which democracy is?'. This leads us to concede that while 'poor democracies beat poor autocracies in every economic measure' (Halperin et al., 2004), perhaps the enduring weakness of DDS is the qualification of the term 'democracy'. What kind of democracy delivers a welfare state that is founded on social democracy?

In return for legitimacy to control economic resources, the political and economic elite have entrenched the dependency of rural unemployed populations on the state's social protection programmes. More and more funds are channeled towards social protection that only creates dependency on the state without achieving a transformation towards sustainable livelihoods. Rather than a DDS that brings about structural transformation by closing inequality gaps, Botswana's is increasingly showing signs of becoming a failed welfare state. Results from indicators such as the Afrobarometer surveys show this has had the negative impact of lowering national confidence in the leadership, heightening perceptions about growing corruption and increasing gaps between the rich and poor.

The DDS alternative may only manage to show the benefits of state control of the economy and provision of social programmes; however, just like neo-liberalism, it fails to provide a framework for transformative social protection programmes. The developmental state agenda asks citizens to bear with the reduction of their civil liberties in exchange for social protection programmes. The neo-liberal agenda promises them that by demanding less protection and not demanding even a minimum wage, investors will bring them much needed jobs. The final outcome is the same: sustainable development caving in under the weight of economic determinism. Developmental states ought to ensure inclusive, broad-based, pro-poor distribution of economic growth to ensure better living standards for the majority of the population. The view in this chapter is that strengthening democratic participation is the only route to sustainable economic growth. We thus call for inclusive democratic developmental states (iDDS).

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THE NEED FOR A DEVELOPMENTAL STATE INTERVENTION IN NAMIBIA

Herbert Jauch and Ellison Tjirera

1. NAMIBIA'S HISTORY OF DISPOSSESSION, THE RESULTING LEVELS OF POVERTY AND INEQUALITY, AND THE NEED FOR DEVELOPMENTAL INTERVENTIONS¹

Inequality in Namibia has deep roots and today's levels of inequality can be traced back from the period of colonial dispossession to the market-driven economic policies pursued after independence. Before colonisation, Namibia was predominantly an agrarian economy, based on communal ownership of resources. In the pre-colonial familial subsistence economies, particularly in crop growing societies, women provided the primary source of labour, and their fertility ensured future labour supply (Haviland, 1993). Key forms of productive assets were not privately owned, land was communally owned and even cattle often belonged to a corporate group. It was not possible for the individual custodian of communal or corporately owned property to dispose of this property in the way that he pleased, yet men could command the labour of women, control social surpluses produced by primarily female labour, control women's sexuality and control their fertility. Despite the communal ownership of land, men controlled land-use through gendered land-tenure and inheritance systems. The adult male received land from the chief (who acted as the custodian of communally owned land) and then in turn granted usufruct to his wife/wives, who provided most of the labour in the familial subsistence economy (Hango-Rummukainen, 2000). Male control over key productive assets was the basis for male control over surpluses (Guy, 1990; Koopman, 1995). This formed the basis of a trajectory of

¹ Section 1 is largely based on Jauch, et al. (2009).

gender inequalities that persist up until today.

Agricultural production in pre-colonial Namibia was subsistence-based, and there was a gender-based division of labour, with the hunting of cattle being the preserve of men, and child rearing, preparation of food and crop tending being predominantly the domain of women. Among the principal ethnic groups, the Namas, Damaras and Hereros were pastoralist, the Ovambos and Kavangos were agro-pastoralists, and the San were hunters and gatherers (UNIN, 1986).

The Namibian !Kung (Ju/hoansi) are an example of hunter-gatherer societies that had no private property, no social surpluses and hence no inequalities in sexual relations. Although early marriage, bride capture rituals and age differentials in first marriages could have disadvantaged women, with time the relationship became more equal, although men still had the edge. The relatively egalitarian society amongst the Ju/hoansi is ascribed to the fact that through their gathering activities, women contributed most to food production (Felton, 2001).

In the subsistence economy, the private-public dichotomy and the distinction between productive and reproductive labour were blurred because the family was the unit of both production and reproduction. The division of labour depended on the dominant mode of subsistence and the cultural traditions of different ethnic groups. For example, in hunter-gatherer foraging societies, like the different San groups, women collected wild fruits, roots, nuts and berries while men hunted (Felton, 2001). Ovambo groups relied on mixed farming, mainly agriculture, and cattle herding, supplemented by hunting, gathering and fishing. Women were responsible for actual cultivation while men assisted with land-clearing and hoeing. In addition, women gathered firewood, fetched water, pounded grain, cooked, cleaned, raised children and performed crafts like basket-weaving and pottery. Men and boys raised cattle and were responsible for house building. They marketed the pots produced by women and were themselves involved in the production of wooden tools (Becker, 1995).

Historically, the Hereros were pastoralists with no cultivation. Cattle herding was done by boys and men, often from the Damara group who were used as servants by Hereros. Women were responsible for milking cows and producing the stable food – sour milk (omaere). They gathered wild foods, fetched water and fuel wood, erected animal enclosures and performed childcare. Men built houses and did woodcarving. Men also sewed clothing, fur blankets and coats. The mainstay of the Nama economy was stock-raising, done mainly by men while women gathered wild foods. Men also hunted. Women produced household utensils like clay pots while men produced weapons. Men and women made their own clothing (Becker, 1995).

The arrival of colonial influences in the form of missionaries, traders, conces-

sionaires and the like, significantly eroded inter-tribal trade, as Europeans came to monopolise trade in the country. The terms of trade were highly unequal as Africans lost productive resources (cattle) in exchange for non-productive items such as liquor, coffee and sugar. Thus, unlike trade between African communities in the pre-colonial period, the new arrangements with European traders did not contribute to the development of African productive forces (Bley, 1971; Mbuende, 1986).

During German colonialism (1884-1915) there was a sudden and permanent change in the social, cultural and traditional forms of social organisation. Germany had as its goal the establishment of a settlement outpost, drawing on and extracting its natural resources, while keeping its investment, human and financial, to the bare minimum. Many Germans who came to settle in Namibia, such as ex-soldiers, artisans and technicians, called for the appropriation of African grazing land to obtain sufficient land for their own farms (Gann and Duignan, 1977). Drought, famine, wars and the rinderpest epidemic of 1896-97 led to the impoverishment of the Nama and Herero communities. This forced some chiefs to sell land to the Germans, who seized upon every opportunity to expropriate land from the Africans, signing fraudulent agreements with local chiefs or confiscating land by violent means (Gann and Duignan, 1977; Bley, 1971).

In 1903, the German imperial commissioner declared that 75% of the land owned by Africans had to be sold to Europeans, and that the remaining 25% had to be proclaimed native reserves (Mbuende, 1986). This loss of land and cattle by Africans led to the war of Anti-colonial resistance from 1904 to 1907. During this war, about 80% of all Hereros and 50% of all Namas fell victim to the German genocide (Katjavivi, 1988; Helbig and Helbig, 1983). By 1907, Africans were almost completely dispossessed of their land, livestock and property, while the Germans had established control over two-thirds of the country. Only the northern regions were spared, primarily because direct land seizure by force could have resulted in protracted wars and huge loss of lives (Gurirab, 1988; Jauch, 1998).

Instead, the northern areas were preserved to secure the long-term supply of migrant labourers for the farming, mining and fishing sectors. The German strategy was to coerce the Ovambo kings into supporting labour migration, and by 1914 there were over 9,000 Ovambo migrant workers deployed in the 'police zone', as the areas under direct German control in the central, southern and eastern parts of Namibia were known (Moorsom, 1980).

At the end of German colonialism, Africans in the 'police zone' had lost most of their land and livestock. They were forced to work on settler farms, for the railways or for the emerging mining companies. The labour shortage in these sectors

was increasingly filled by migrant labourers from the northern regions. Africans thus lost their economic independence and were systematically integrated into the colonial economic structures under highly exploitative conditions (Jauch, 1998).

During the first years, the German colonial rulers did not interfere in indigenous social organisation and hence African patriarchal rule. The protection treaties (1880-1890) signed between the Germans and the Herero and Nama chiefs guaranteed non-interference in how chiefs governed their subjects, including their rule over women. During and after the Herero genocide (1904-1907) and wars against the Namas, the Germans introduced native regulations (1905-1907) that subjected indigenous communities to direct colonial rule. This was accompanied by land dispossession and violent subjugation. This period also saw the introduction of enforced labour and pass laws ('Dienstbuch') that applied to men, women and children alike. A year after South Africa took control of Namibia (1917) following the defeat of Germany in the First World War, the law was changed and enforced employment of indigenous Namibians with whites in the 'police zone' henceforth only applied to men. Pass laws, however, applied to all black people. Women were thus exempted from compulsory labour (Becker, 1995).

During South African colonialism, Namibia was essentially integrated into the South African economy as a 'fifth province' and also became a member of the Southern African Customs Union (SACU). The German legacy of unequal treatment continued as white South African settlers were provided with significant inducements to settle in Namibia, and measures were enacted to force Africans into becoming a cheap source of labour for the settler community. Measures such as differential tax rates, using 'hut' and 'dog' taxes to impoverish Africans, were used to drive them into wage labour. The reservations were starved of development and the racial policies of the government were further entrenched. Expenditure on development in the reserves was limited to what residents could raise themselves. Between 1922 and 1946, the indigenous 90% of Namibia's population was allocated only 3.6-10.6% of the colonial state's budget (UNIN, 1986).

The colonial South African government formally entrenched segregation and then applied its apartheid model to Namibia. The Odendaal Commission of 1963 instituted a homeland system (closely modelled on South Africa's own version) in terms of which 40% of the country's land area (mainly in the north) was for the indigenous population, 43% for white farmland, and the remainder, including diamond areas and game reserves, was considered to be unallocated government land. The economically unviable homelands would force the inhabitants to seek employment as migrant labour in the settler economy, notably the nascent mining industry, but also in fishing, agriculture and the railways (Mbuende, 1986; Jauch, 1998).

Becker (1995) argues that South African colonial rulers intensified German policies as the need for cheap labour increased. A number of laws restricted the mobility of black people, especially black women and children, from taking up co-residence with husbands and fathers in towns. The Native Labour Proclamation (1919); the Vagrancy Proclamation (1920); the Administration Proclamation (1922); the Native Passes Proclamation (1930); the Northern Natives Proclamation (1935); the Native Urban Areas Proclamation (1951) and the 1963 Aliens Control Act all controlled the movement of black people and prevented their full proletarianisation (Hishongwa, 1991). For many black people the neo-local, conjugal family was not legally possible, hence the spatial and geographic separation of black Namibian families. Influx control regulations made black people foreigners in urban centres and black women and children had difficulty sharing common residences with black male husbands and fathers. The articulation of the capitalist and subsistence familial modes of production forced women and children to shoulder most of the productive responsibilities in the subsistence economies. Some may argue that female labour in the subsistence economy subsidised cheap male labour in the capitalist economy and enabled the super exploitation of male labour that provided the basis for surplus accumulation during the early stages of the colonial capitalist economy (Wolpe, 1978).

There is a common assumption that the female-headed household is purely an outcome of the migrant labour system. There are, however, other factors that contribute towards it, including matrilineal systems of descent and inheritance, high out-of-wedlock birth rates, low marital rates, poverty and labour migration. Historically, in Ovambo groups, conjugal bonds are important for economic co-operation, but not to determine kinship, since descent is traced matrilineally, and historically a woman and her children were not considered to be the relatives of the husband (Williams, 1991; Becker, 1995). An adult male's family allegiance primarily resides with his natal kin on the maternal side. Systems of descent determine inheritance practices and often remittance flows. In this context, Hango-Rumukainen (2000) argues that migrant workers' wages belonged to men and items bought with these remittances remained the property of men.

Despite the fact that migrant labour in northern Namibia weakened the conjugal relationship further, the migrant workers were considered part of their rural families and were still responsible for certain forms of household decision-making (Hishongwa, 1991). Migrant workers often entered into concurrent second and third and relationships (formal and informal sexual unions) in urban centres, but they remained heads of households with control over land and other productive assets at their rural homesteads (Hango-Rummukainen, 2000).

The fact that men were often absent due to labour migration is often mistaken

for a female-headed household, but as Hishongwa (1991: 92) points out, men who migrate often remain household heads, with their maternal relatives often controlling decision-making about their property, despite the fact that their wives carry out most of the productive labour. The maternal relatives also police married women's sexuality during the men's absence (Becker, 1995).

Labour migration increased women's workloads as female and child labour had to replace male labour. This often led to a decrease in food production (Hango-Rumukainen, 2000). In addition, the increased monetisation of traditional economies increased women's dependency on male remittances (Becker, 1995).

In response to the political oppression and labour exploitation during colonial rule, migrant workers from northern Namibia formed the backbone of the emerging liberation struggle. They were the dominant constituency in the formation of the South West Africa People's organisation (SWAPO) which launched its armed liberation struggle in 1966. Hugely outnumbered in personnel and military equipment, it made few military advances during the 1970s. However, in the 1980s, pressure on South Africa intensified as its own internal resistance grew and the costs of maintaining a war in Namibia and Angola became too high. The increasing military pressure applied by the Cuban presence in Angola culminated in the battle of Cuito Cuanavale in 1988. This represented the first significant military loss, including a diminution of South Africa's air power. At the same time, the apartheid regime was confronted with a wave of domestic political pressure exerted by trade unions, civic organisations and youth movements in South Africa and Namibia alike. Added to that, the international community grew increasingly impatient with South Africa's continued human rights violations and pressed for an end to the apartheid system. Towards the end of 1988, South Africa finally accepted UN Resolution 435, which called for the institution of a ceasefire, the return of exiled Namibians and for general elections to determine the composition of the constitutional assembly (Jauch, 1998).

1.1 RACIAL, CLASS AND GENDER INEQUALITIES

At the time of independence in 1990, Namibia was a deeply fractured society characterised by inequality. This could be seen in the distribution of wealth as well as access to services and resources. In 1988, Namibia's per capita income was \$1,200 per year, an artificially high figure which was hiding the extremely skewed nature of income distribution. A more accurate figure for the majority of Namibians was given as around S\$750 for blacks in formal sector wage employment and \$85 for those in the subsistence sector. By contrast, the incomes of whites, accounting for 5.1% of the population, was \$16,500 per year, which was comparable with the per capita incomes in industrialised

countries (World Bank, 1991).

At independence, some two-thirds of the population were living in conditions of absolute poverty, according to 1991 World Bank figures. The entrapment of the black majority in poverty was the product of a systematic system of labour exploitation. Blacks were denied the means to progress to higher levels within the labour market and were largely confined to wage labour at the most basic levels. Excluded from the bulk of managerial, professional and administrative jobs, and with wages being below the poverty level, black Namibians found it difficult to move beyond the confines of poverty. However, there was a hierarchy of poverty: the urban poor were better off than people living in peri-urban areas, who in turn were better off than rural families (World Bank, 1991; SWAPO, 1981).

About half of the black working population were engaged in subsistence agriculture in the communal 'homelands'. Approximately 25% were lowly paid migrant workers, about 14% were employed as poorly paid domestic workers and the rest were either openly unemployed or engaged in a variety of informal sector activities. According to a study by the United Nations Institute for Namibia (UNIN), the income differentials between white and black Namibians far exceeded what could be justified by the skill differentials. Even where they did the same job, there were substantial differences in remuneration (UNIN, 1986).

The white population as a whole benefited from permanent jobs, subsidised housing, healthcare and superior schools, which were also racially stratified. Almost the entire white labour force had secured employment as professionals, managers, supervisors, technicians, civil servants or as business people in agriculture, industry, and commerce. This was achieved through job reservation policies and blatantly discriminatory social policies and budgetary allocations. Expenditure on healthcare resources for the white population, for example, differed from that reserved for the black population at a scale of about 10:1. Similar discrepancies existed in the provision of pensions and education services (Chase, 1987; Jauch, 1998).

Class formation in Namibia coincided largely with race, and socio-economic stratification occurred along racial lines. The majority of Africans were peasants and workers, many 'coloureds' were tradesmen, while whites were supervisors, managers and capitalist farmers (Mbuende, 1986). On the eve of independence, the capitalist class consisted of various factions which operated in the mining, commercial and agrarian sectors and had their own organisations to promote their own interests. They had almost complete control over the means of production but were numerically small and predominantly rooted in South Africa. The dependency of colonial Namibia on the South African economy had severely limited the development of an indigenous capitalist class, although some white

Namibian business people had developed significant interests in sectors of the economy such as fishing, agriculture, commerce and light industry. They were able to situate themselves in advantageous positions to constitute an embryonic capitalist fringe. Mining, however, remained predominantly foreign-owned (Mbunde, 1986; Tapscott, 1995).

Racial and class stratification had a substantial gender element. Even in pre-colonial Namibia, women were awarded a status inferior to that of men, although the extent differed between the various communities. During the colonial era, women's traditional subordination was retained and deepened through new forms of oppression. The migrant labour system in particular had a detrimental effect on women as it forced them to take over tasks traditionally performed by men. They had to cope with the burdens of child-rearing, tending to subsistence crops and running extended households. Dependent on the meagre remittances from their husbands, a system of patriarchal domination, which had already been a feature of pre-colonial Namibia, was entrenched.

Where employment was available to black women, it came in the form of jobs as domestic workers, as well as menial employment as cleaners in companies. At the time of independence, a large percentage of black women were employed as domestic workers, facing long hours of work, extremely low wages and a total absence of benefits and job security. This reflected the extreme marginalisation of women before independence (SWAPO Women's Council, 1988; Sparks and Green, 1992; Becker, 1995). Thus, at independence Namibia was characterised by massive levels of inequality along the lines of race, gender and class.

1.2 THE COLONIAL ECONOMY

At independence, Namibia's economy was primarily based on resource extraction, with agrarian features. The mainstay of the economy in terms of exports and earnings was the mining industry, dominated by international and South African mining companies, and accounting for some 60% of exports, and 40% of state revenue (Tapscott, 1992). Three major mining groups dominated the industry, Consolidated Diamond Mines (CDM), Tsumeb Corporation Limited and Rio Tinto Zinc Corporation. The British Rio Tinto Zinc Corporation was (and still is) the majority owner of the Rossing Uranium Mine, at the time the largest open cast mine in the world. All other major mining operations were controlled by South African interests. Tsumeb Corporation Limited (TCL), for example, was a subsidiary of Goldfields South Africa. Likewise CDM, which ran the lucrative diamond mines in the south of Namibia, was majority owned by DeBeers, a wholly owned subsidiary of Anglo American (Oden, 1991).

The mining industry exemplified monopoly capital at work. It also served

global imperial interests and entrenched the classical dependency relationship between the centre and the periphery. It was notable for the complete absence of local value addition, or the formation of value chains, which would have benefited the Namibian economy. Without exception, the extracted mineral resources were transported straight to the production centres in the West, without any attempts at beneficiation whatsoever. Where processing occurred, it contributed little to the formation of an industrial base, as the plants in which this occurred were capital-intensive and export-oriented (Mbuende, 1986). In the diamond mining industry, the raw diamonds were transported uncut and unprocessed to Europe.

The fishing sector was the fourth largest contributor to Namibia's GDP after mining, general government and the retail trade. Here as well, the sector was dominated by international and South African interests. Blessed with resource-rich offshore waters, Namibia's fishing industry was subject to uncontrolled exploitation during colonial rule. From the 1950s onwards, when the first figures became available, South African fishing fleets engaged in a ruthless exploitation of Namibian fishing resources with little regard for the sustainability of the industry. This trend continued in the 1960s when foreign fleets entered the fray. At the time of independence, Namibia's stocks of hake, pilchard and mackerel were seriously depleted (Tapscott, 1992; Jauch, 1998).

Fishing had accounted for approximately 28% of Namibia's GDP in 1969 but this had dropped to 4% around independence. This was a classic case of 'resource imperialism' which aims at the exploitation of natural resources with an eye on immediate profits, without consideration for the sustainable future utilisation.

At the time of independence, agriculture supported about 70% of the population, directly and indirectly, and employed about 18.6% of the country's total formal workforce. Extensive stock farming was the dominant activity of commercial agriculture, accounting for 65% of the sector's gross value of output, with beef being the major product. Communal subsistence farming, on the other hand, sustained 250-300,000 people (20-25% of the population) (World Bank, 1991) but its contribution to GDP was not captured in official statistics.

The 'dual nature' of Namibia's agricultural sector is a direct result of the land dispossession of the black majority during colonial rule. These policies ensured that at the time of independence, 73% of Namibia's farmlands were owned by some 4,450 white farmers while more than 100,000 communal farmers were restricted to 27% of the total farmland. The average size of a white-owned farm was 7,836 hectares, 23 times larger than the average black-owned cattle farm (World Bank, 1991). In addition, white commercial farmers were effectively supported and subsidised by the colonial regime, while the communal areas were

characterised by colonial neglect. Gottschalk (1983: 76) described this as an 'agrarian counter-revolution', preventing pastoralists from remaining self-sufficient, thus forcing them to take up wage employment and turning the 'homelands' into places for mainly old and sick people, women and children.

Namibia's manufacturing sector at independence contributed a negligible share to the GDP (4-5%) and employed only about 9,000 people, some 5% of those in formal employment. About 70% of all goods produced in Namibia were food products while the rest consisted of wood products, textiles, furniture and transport equipment (Sparks and Green, 1992).

Manufacturing firms were concentrated in urban centres and were mostly small-scale, employing only a few people. With the exception of small artisan and cottage industries, almost all manufacturing firms were owned by whites (Sparks and Green, 1992).

1.3 THE NEED FOR DEVELOPMENTAL INTERVENTIONS

After independence, the Namibian government undertook significant investments in education, social services and infrastructure, including road and rail networks and the expansion of the Walvis Bay harbour. However, Namibia has not managed to overcome what Guy Mhone described as the limitation of the African enclave economy (see Kanyenze et al., 2007) as outlined in Chapter 1.

In order to overcome Namibia's current socio-economic challenges such reducing inequality, poverty and unemployment (see next section), the country needs to undertake developmental interventions that lead to structural economic changes. This cannot be attained by leaving the economy to 'market forces' and by limiting the role of government to that of a facilitator of favourable investment conditions that allow for the accumulation of profit by private capital. Even allowing government to intervene merely in cases of market failures would be insufficient to change the current economic and social structures that uphold the skewed distribution of wealth and income. Namibia therefore needs well-targeted and deliberate intervention strategies that will kick-start local economic activities, particularly the provision of consumer goods and services for the local market. Furthermore, there is a need to ensure that the means of production, wealth and incomes are systematically redistributed in favour of the poor and that basic needs such as housing, education and healthcare are affordable to all.

2. STATE INTERVENTIONS AFTER INDEPENDENCE

Namibia attained its independence not through a military victory of the liberation movement but through a negotiated settlement that involved extensive international mediation and entailed substantial compromises. Historically, SWAPO had claimed to play the vanguard role in the liberation struggle 'of the oppressed

and exploited people of Namibia' (SWAPO constitution of 1976, quoted in SWAPO, 1981: 257). SWAPO's political programme of 1976 was characterised by socialist rhetoric, inspired by the newly won independence of Mozambique and Angola and by the support rendered by the Soviet Union. One of its key tasks was '[t]o unite all Namibian people, particularly the working class, the peasantry and progressive intellectuals, into a vanguard party capable of safeguarding national independence and of building a classless, non-exploitative society based on the ideals and principles of scientific socialism' (SWAPO, 1981: 275).

However, as the crisis in the Soviet Union deepened in the 1980s, coupled with the counter-revolutionary wars in Angola and Mozambique and the refusal by the South African apartheid regime to implement UN resolution 435, it became clear that SWAPO regarded national independence (and not the proletarian revolution) as the primary goal of its struggle. A contributing factor to this shift was SWAPO's attempt to seek Western support for Namibia's independence by showing allegiance to market-related economic policies (Fanuel Tjingaete, quoted in *The Times of Namibia*, February 1989). This was clearly reflected in the party's policy proposals for an independent Namibia in the late 1980s as well as the election manifesto of 1989. When SWAPO's Economic Policy Position Document was released in November 1988, it no longer called for the nationalisation of key industries but instead promised 'fair and just compensation in those instances where state acquisition of assets from private hands is considered necessary for the rebuilding and restructuring of Namibia's national economy'.²

As the socialist rhetoric of the 1970s was replaced by the 'pragmatism' of accepting a non-racial capitalist order, the new order was described as a 'mixed economy' in the constitution of independent Namibia. Economic structures were left intact and thus the mining and fishing industries remained under the control of private foreign capital after independence. Regarding land reform, the approach of willing seller – willing buyer was adopted, resulting in a very slow process of land reform.

2.1 EXTENDING SOCIAL SERVICES

One of the immediate steps taken by the government after independence was to reform the provision of basic social services such as education and healthcare with a view to ending apartheid discrimination and redressing some of the colonial imbalances. 'Education for all' became a rallying cry of the government as services were extended country-wide. The Namibian Constitution guarantees the right to a free and compulsory education for ten years (until the age of 16) and government consistently allocated over 20% of its national budget to the sector.

² *The Namibian*, 27 January 1989.

A unified system of educational administration was established to replace the ethnic education bodies and hundreds of schools were built to cater for the increased school enrolment. The total number of schools in the country increased from 1,325 in 1992 to 1,723 in 2012 (Ministry of Education, EMIS reports). The Ministry of Education and Culture realised the need to provide sufficient and adequately staffed and equipped classrooms to address the colonial legacy of neglect. Equitable access to schooling was recognised as a critical aspect in the process of redressing inequality (Ministry of Education and Culture, 1993).

Table 1: Children in school

Children in school, in %	2004	2008	2012	2013
Total 6-17 years	89	–	90	91
Male	89	–	89	90
Female	89	–	91	92
5-9	85	–	86	90
10-14	95	–	95	95
15-17	82	–	87	85

Source: Labour Force Surveys, various.

Despite the significant improvements in accessibility, the quality of education is still grossly unequal between different schools and regions. This is reflected in the results of external school examinations at the end of grades 10 and 12. The best results are usually achieved by private schools, which are expensive and thus only accessible to the elite. The next best results tend to be achieved by the former white schools in towns, while the worst results are found in rural schools.

The poor performance indicators for reading and mathematics mainly in the northern regions of the country reflect the inequalities in resource allocation and the resulting impact on educational outcomes. Namibia has not achieved the goal of equal education for all and the government now pins its hopes on the Education and Training Sector Improvement Programme (ETSIP) to address the educational challenges. This programme has received funding from the World Bank and constituted the first case of a World Bank loan for Namibia in 2007.

Social protection

Under Article 95 of the Namibian Constitution, the state is urged to actively promote and maintain the welfare of the people by adopting appropriate measures aimed at ‘the ensurance that every Namibian has a right to fair and reasonable access to public facilities and services in accordance with the law’. The Article further urges the state to institute measures for ensuring ‘that senior citizens are entitled to and do receive a regular pension adequate for the maintenance of de-

cent standard of living and the enjoyment of social and cultural opportunities'. It also calls for the 'enactment of legislation to ensure that the unemployed, the incapacitated, the indigent and the disadvantaged are accorded such social benefits and amenities as are determined by Parliament to be just and affordable with due regard to the resources of the state'.

Guided by this constitutional provision, Namibia expanded its social protection programmes after independence; they now include the following:

- (a) Universal and non-contributory old-age social pensions which are paid to all citizens or permanent residents who have reached 60 years of age, irrespective of sex, past and current employment status, and income. In 2015, the old-age pension grant was increased by N\$400 to N\$1,000 per month (Schlettwein 2015:19), by far the largest increase since independence. In 2016, the amount was increased further to N\$1,100 and the Minister of Finance noted that: 'At this level of grants, our senior citizens are placed above that national poverty line, making the grants an effective and credible shield against poverty and vulnerability' (Schlettwein, 2016: 25)
- (b) A disability pension is paid to those of 16 years and above who have been diagnosed by a state doctor as being temporarily or permanently disabled. This may include blind persons or those who are medically diagnosed with AIDS.
- (c) War veterans subventions are paid to those who took part in the long struggle against South African colonial rule, irrespective of age, assets or employment status provided that they have an annual income of less than N\$36,000 (US\$3,600). The value of this subvention increased from N\$500 (US\$50) in 1999 to N\$2,000 (US\$200) in 2007. Since 2008, subventions to veterans are regulated by the Veterans Act No. 2 of 2008 which was passed to provide for the establishment of a Veterans Fund, the registration of veterans and their dependents, and the integration of pension benefits of veterans amongst others (see in particular Part V of the Veterans Act of 2008 as amended).
- (d) Child maintenance grants are paid to a biological parent of a child under 18 years and to those parents whose spouse is receiving an old-age or disability grant, has died or is serving a prison sentence of 3 months or longer. The amount paid is N\$200 (US\$14³) for the first child and N\$100 (US\$7) for each additional child for up to a maximum of six children. Payment is based on means-testing and some specific condi-

3 In March 2016, the exchange rate of the US\$ to the Namibia Dollar stood at about 1:15.

tions, for example, the restriction to applicants with monthly incomes of less than N\$1,000 (US\$100); and the need for school attendance records if the child is older than seven years. The aim is to create a monetary incentive for keeping the child in school.

- (e) Other formal and publicly-funded programmes include labour-based public works programmes, food distribution in times of humanitarian crises, such as the frequent droughts or floods, and a school-feeding programme (Jauch and Kaapama, 2011).

Namibia's Social Security Commission (SSC) provides various compulsory and contributory social security schemes such as maternity benefits, sickness and death benefits and compensation in case of occupational accidents and diseases (see Part V of the Social Security Act No. 34 of 1994). Paid sick leave is entrenched in the Labour Act and entitles employees to a maximum of 36 days during a three-year cycle. Employers are compelled to pay during such sick leave. Extended sick leave can be provided for by the SSC in cases of serious illnesses or injuries.

Available statistics show that around 65% of employees are now covered by the SSC scheme while the number of disability grants increased consistently over the years, almost tripling between 2002 and 2013. According to the Namibia Child Activity Survey 2010, there were 51,595 people affected by disability in that year of whom 24,021 (46.9%) received a disability grant (Namibia Decent Work Country Profile 2014).

Table 2: Recipients of social pensions (non-contributory)

December 2002	100 849
December 2004	116 478
December 2006	123 916
December 2008	130 455
December 2010	137 505
December 2012	143 562
December 2013	146 482

Source: Ministry of Labour and Social Welfare

Namibia has a universal social grant as provided for in the National Pension Act of 1992. It is funded from general government revenue and all Namibian citizens and permanent residents are entitled to receive it upon reaching the age of 60 years. Unlike the contributory pension schemes, which cover less than 20% of Namibia's economically active population, the social pensions reach an increasing number of people as reflected in Table 2. The 2011 Census put Namibia's total population aged 60 years and above at 149,303 with almost all of them

receiving a social pension (Namibia Decent Work Country profile 2014).

The SSC is currently working with the ILO on proposals to establish two new funds, namely the National Pension Fund and the National Medical Benefit Fund. These will be contributory and will target people in employment. The SSC also envisages an expansion of its reach, for example by including and targeting the informal sector. Furthermore, it plans to introduce a 'return to work programme' for people affected by accidents or sickness. The aim is to enable employees to return to work in a timely manner and to encourage modifications at the workplace as may be required to enable such returns. The SSC is also exploring the possibility of introducing an unemployment benefit fund to offer certain short-term benefits plus training and job placement services (DWCP mid-term review 2012).

By early 2014, only about 15-16% of the population and about 51% of those employed in the formal sector were covered by any kind of health insurance. Besides employer-specific healthcare funds, Namibia has four open private funds, the Namibia Health Plan, Namibia Medical Care, NAMMED Medical Aid Fund and Renaissance Health Medical Aid Fund.⁴

Basic Income Grant

Government efforts to reduce poverty and vulnerability through social protection resulted in a far-reaching proposal in 2003, when the Namibia Tax Commission (NAMTAX) proposed the introduction of a universal basic income grant (BIG) as a comprehensive measure to dramatically reduce poverty and raise standards of living. At the time, the Commission proposed a monthly grant for every Namibian of not less than N\$100 per month as a basic economic right. A broad coalition of NGOs piloted this concept in a village in eastern Namibia with great success in 2008-09, resulting in increased economic activities, improved health and education standards and a significant reduction of poverty and crime (Haarmann et al., 2009). However, despite the empirical evidence to the contrary and the affordability of a universal grant for Namibia, the government (in particular the former Prime Minister Nahas Angula as well as the former President Hifikepunye Pohamba) have remained sceptical and have voiced concerns that the grant might make people 'lazy'.⁵ Thus, the Namibian government prefers targeted programmes and regards social policy as a kind of safety net for vulnerable groups who receive financial support provided that they meet specific criteria. The notion of entrenching economic rights and the right to a decent life in the form of a universal grant has not (yet) been accepted by government.

4 *The Villager*, 31 March – 6 April 2014.

5 *New Era*, 28 March 2014.

There was some expectation that this might change under the administration of the new President Dr Hage Geingob who not only donated financially to the basic income grant (BIG) pilot project but has repeatedly expressed concern about the pervasive poverty in the country. Upon being elected as President, he promptly established a Ministry of Poverty Eradication and Social Welfare, headed by the former chairperson of the BIG Coalition, Dr Zephania Kameeta. However, neither his State of the Nation Address in April 2016 nor his 'Harambee Prosperity Plan' made any reference to a basic income grant (Geingob, 2016; Namibia, 2016b).

2.2 GENDER EQUALITY

In line with various international protocols, the Namibian government introduced policies and programmes in support of gender equality after independence. These included the National Gender Policy (NGP) and Plan of Action as well as the National Plan of Action on Gender-Based Violence. The NGP of 2010-2016 set the framework for the achievement of gender equality and identified 12 priority areas: poverty and rural development; education and training; health, reproductive health and HIV and AIDS; gender-based violence; trade and economic empowerment; governance and decision-making; media, information and communication; environment; issues of the girl child; peace-building, conflict resolution and natural disaster management; legal affairs and human rights; and gender equality in the family context. The policy sets out administrative systems and a 'gender machinery' which includes the parliamentary women's caucus, gender focal points in government departments and women and child protection units to deal mainly with gender-based violence. The Ministry of Gender equality and Child Welfare is responsible for the gender programmes (Namibia, 2010).

In addition, Namibia has ratified a number of international protocols aimed at achieving gender equality and women's empowerment. These include the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW); the Beijing Declaration and Platform of Action; the SADC Protocol on Gender and Development and the Protocol to the African Charter on Human Rights and People's Rights on the Rights of Women in Africa (Edwards-Jauch, 2014). Besides the provision in the Namibian constitution, various national laws also provide for gender equality. Thus, Namibia made significant progress in terms of what Sardenberg (2008) described as 'liberal empowerment' which looks at the technical and instrumental aspects of empowerment and focuses on individuals rather than the group. This approach asserts individual rights and equality of opportunity and thus seeks to empower women without challenging or transforming the nature of power itself.

Another approach to women's empowerment, referred to as 'liberating empowerment' by Sardenburg, seeks to transform patriarchal power and structural impediments to women's empowerment and thus aims to eradicate the root causes and systems of social inequality. As pointed out by Edwards-Jauch in a recent assessment (2014: 125), a focus beyond the legal framework on structural inequalities helps to explain why the interventions undertaken thus far have had only a limited impact on 'the situation of many poor, black and ethnically marginalised women'. We will draw on the findings of this assessment as it is of direct relevance for this section.

In the education and training sector, Namibia has made impressive achievements as there is no difference in the literacy rates of men and women. Likewise, enrolment rates at schools are almost equal, with girls having higher promotion and lower repetition rates. However, there are lower rates for women at tertiary institutions, especially in fields like science, engineering, technology and agriculture; at this level women tend to enter the stereotypical female fields of study such as humanities, social sciences, nursing and teaching (Edwards-Jauch, 2014: 127-128).

In other areas, women's empowerment was significantly less successful. For a long time women have been under-represented in political decision-making despite Namibia's expressed commitment to redress this imbalance. In 2013, women accounted for only 24% of parliamentarians, 12% of regional councillors and 19% of cabinet members (Shejavali, 2013). A significant step was taken in 2013 when the ruling party decided to have 50% women representation in all leadership structures, and in its parliamentary list. This paved the way for better women's representation in decision-making at national and regional levels (Edwards-Jauch, 2014: 130). After the 2014 National Assembly (NA) elections, 44 of the 104 seats in the NA were occupied by women (Shejavali, 2015: 8). Conversely, results at the regional council level have been less than satisfactory as only 10 seats out of 42 are occupied by women in the National Council.⁶

In terms of women's economic empowerment, Namibia fared poorly in terms of the SADC Gender and Development Index, which measures participation in economic decision-making, participation in the labour force, the male-female unemployment rate, the female share of non-agricultural labour, and the length of maternity leave. Women constitute around 21% of economic decision-makers in key state and private sector positions and the country's affirmative action legislation has not brought about equity in top managerial positions. Black women tend to be employed in casual, temporary and seasonal work and they are significantly more affected by unemployment than men. They also account for most of

6 See <http://www.ipu.org/wmn-e/classif.htm>

the so-called ‘homemakers’, those who are engaged in unpaid social reproductive work which has remained invisible in the national income accounts system. Furthermore, women earn less than men in every sector of the economy, except agriculture (NSA, 2013a; Edwards-Jauch, 2014).

Namibia’s high levels of gender-based violence are another indication of imbalances in social power. About a third of women aged 15-49 – and especially married women and women with less education – experience some form of physical violence. Victims are unlikely to share their experiences as only 21% went to the police and only 22% visited a medical facility. Perpetrators often act with impunity as cases go unreported or are withdrawn. An estimated one-third of all rape cases are withdrawn due to family pressure, fear of stigmatisation, shame or bribery (Edwards-Jauch, 2014).

Women are more likely to be poor than men and although Namibia has various social grants, these do not give women control over economic decision-making or resources. Thus, despite having done well at the level of formal gender equality and law reform, the country has not achieved substantive gender equality and will have to adopt a transformative approach to women’s empowerment by systematically redressing the structural dimensions of women’s disempowerment.

In light of the shortcomings of the liberal approach to women’s empowerment, not only in Namibia but globally, the United Nations Entity for Gender Equality and the Empowerment of Women developed a Post-2015 Development Framework which sets out a more transformative agenda for achieving gender equality. It includes some empowerment-related targets and indicators such as freedom from violence, capacities and resources, and a voice in leadership and participation. It thus signals a departure from the neo-liberal agenda and acknowledges that macroeconomic policies have a direct impact on women’s empowerment. It proposes more equitable and inclusive growth strategies, more labour market regulations to ensure decent work for women, and investments in services, infrastructure and social protection transfers..

2.3 ECONOMIC REFORMS

The Namibian Constitution incorporated the 1982 Constitutional Principles established by the United Nations Security Council. These entrenched the right to private property, as contained in Article 16 of the Namibian Constitution. Although the state may ‘by law expropriate property in the public interest subject to the payment of just compensation, in accordance with requirements and procedures to be determined by Act of Parliament’, the Constitution imposed a property regime, which made changing the skewed distribution of resources such as land an expensive and difficult process.

Namibia has largely followed a conventional macroeconomic framework with emphasis on macroeconomic ‘stability’ as reflected in low inflation and budget deficits. The country has achieved continuous but modest economic growth since independence (see table 4) and this has been accompanied by steady rise in average incomes (Sherbourne, 2013). However, this growth has fallen short of what is required to substantially reduce levels of poverty and unemployment and as such is nowhere near what is needed to attain Vision 2030 and high income status (ibid: 13). Notwithstanding that economic growth can contribute to poverty reduction, it is widely acknowledged growth alone is not a sufficient condition; more attention should be given to the structure and quality of that growth (UNDP, 2007: 4). Roy et al. (2006: 1) have pointed out that ‘a development transformation requires a sustained period of increased investment spending to support economic growth and deliver the basic services necessary to achieve human development’. Similarly, Islam (2011) warned that the IMF’s approach towards maintaining fiscal stability ignored core development goals and thus the UNDP proposed an alternative approach in which fiscal policy should mobilise resources to finance public investment to support long term growth and the achievements of the Millennium Development Goals (MDGs). Thus the state must play a central role in kick-starting growth, reducing poverty and improving human development.

In 2014, the Ministry of Trade and Industry published its ‘growth at home’ strategy for industrialisation. This document implicitly recognises the need for more deliberate interventions and focuses on three core areas: to support value addition, upgrading and diversification for sustained growth; to secure market access at home and abroad; and to improve the investment climate and conditions. A ‘special industrialisation programme’ forms a ‘second layer’ of the strategy and aims to increase the contribution of manufacturing to GDP. This programme defines sectoral priority actions and covers a wide variety of sectors including agro- and fish-processing, steel manufacturing, automotive and chemical industries, mineral beneficiation, building materials, furniture, the green economy, pharmaceuticals and cosmetics. A Namibia Industrial Development Agency (NIDA) is envisaged to drive the economic transformation process in close collaboration with the Ministry (MTI 2014: 6).

Inflation, fiscal balance, exports and public debt

Namibia’s conservative macroeconomic policies have resulted in fairly low inflation rates, as reflected in Figure 1. As shown in Figure 2, Namibia’s inflation rate is closely linked to that of South Africa as the country is not only in a customs union with its southern neighbour but also has its currency pegged to the South African Rand and imports most of its consumer goods from there.

Table 3: GDP growth 2002-2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP, in million US\$	3 368	4 961	6 617	7 204	7 841	8 634	8 705	8 890	10 702	12 818	13 088
GDP growth (annual), in % ⁸	4.8	4.2	12.3	2.5	7.1	5.4	3.4	-1.1	6.3	5.7	5
GDP per capita, in US\$ ⁹	1 811	2 623	3 441	3 681	3 936	4 258	4 215	4 227	4 994	6 090	6 126
GDP per capita growth (annual), in % ¹⁰	3.1	2.5	10.4	0.7	5.2	3.5	1.5	-2.9	4.3	7.6	3.5

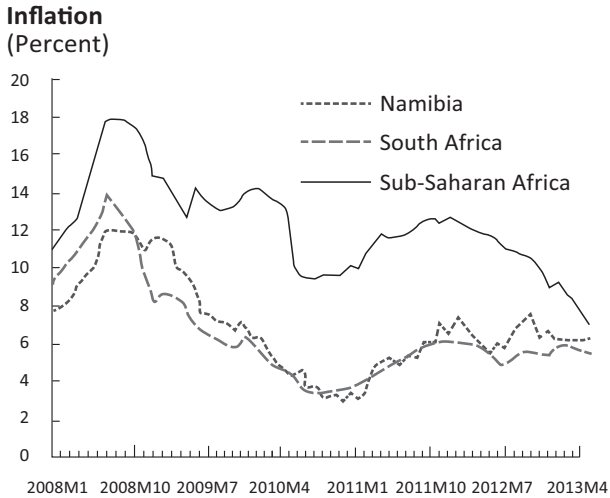
Source: NSA

Current expenditure has consistently increased over the years, while capital expenditure peaked in 2011/2012 as a result of the public investments in the TIPEEG programme discussed below. The introduction of that programme has reversed the trend of declining public debt from 2006-2010 and resulted in significant increases, especially in domestic debt rates as shown in Figure 2. The total debt stock has increased from N\$35.95 billion in 2014/2015 to an estimated N\$59.79 billion by the end of 2015/16 and now stands at about 37% of GDP (Schlettwein 2016: 19).

Figure 1: Inflation rates 1998 – 2012

Source: NSA consumer price index data

Inflation continued to moderate largely on account of the slowdown in price of food, electricity, gas and fuel.



.. however, current spending remains elevated ...

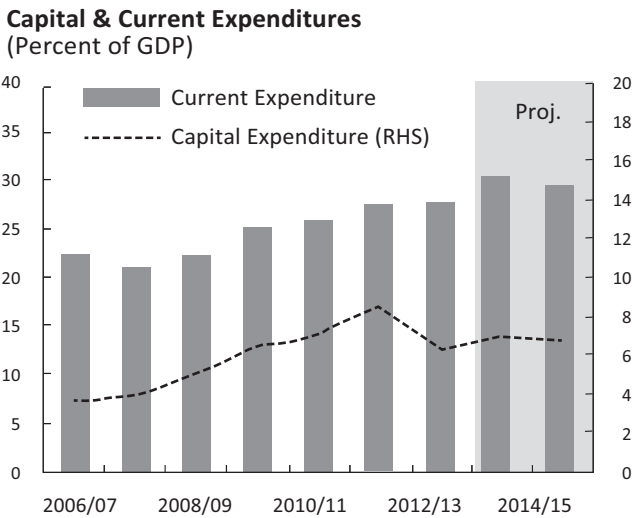
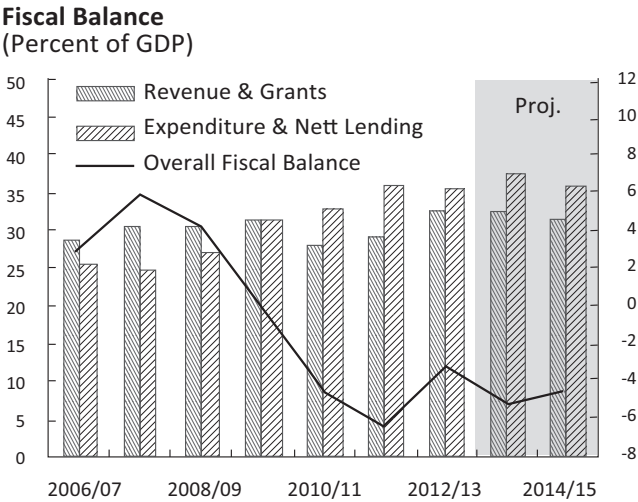


Figure 2: Inflation, Fiscal Balance, Expenditures and Public Debt 2006-2014

Sources: Namibian authorities and IMF staff estimates as cited in IMF (2014: 8).

The fiscal deficit has declined owing to lower execution of capital projects ..



. and the public debt-to-GDP ratio has increased significantly

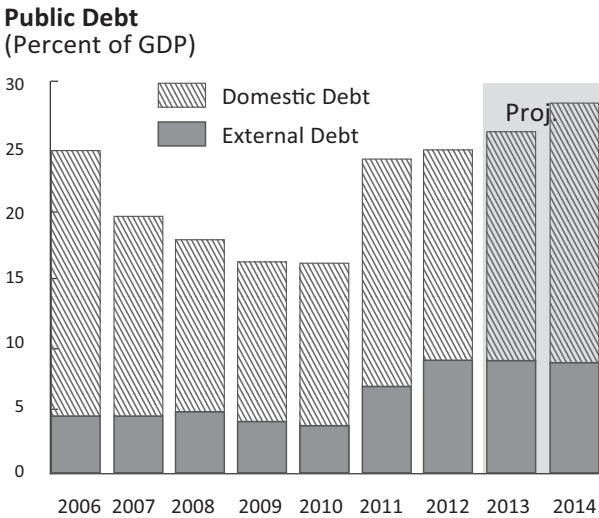


Table 4: GDP contribution by economic sector (%)

Year	Primary Sector	Secondary Sector	Tertiary Sector	Others
2013	16	18	60	6
2012	20	17	56	8
2011	16	17	58	10
2010	16	18	59	9
2009	18	19	56	8
2008	23	19	51	8
2007	20	22	52	7
2006	22	20	52	8
2005	20	17	56	8
2004	19	17	57	8
2003	18	18	58	7
2002	23	16	53	9
2001	22	17	55	8
2000	21	15	56	9

Sources: NPC 2008; NSA 2013a; NSA 2013b.

Table 4 summarises the sectoral composition of Namibia's GDP. The primary sector which is the major contributor to Namibia's export earnings made a GDP contribution of 16-23% while the secondary sector's contribution was slightly less, ranging from 15% to 22% during the past 13 years. The key contributor is the services sector with 51-60% of GDP during that period. Thus Namibia experienced the trend outlined by Mhone's (2006) notion of the enclave economy. After a heavy reliance on the primary sector during colonial rule, economic development virtually bypassed the stage of increased manufacturing and instead grew dramatically in the services sector, with banking, insurance and retail being the main subsectors.

Namibia's exports are still highly concentrated, with mineral-related products accounting for about 50% of the total (ASCC, 2014; IMF, 2014). Couched in a familiar neo-liberal framework, the IMF's recommendations are premised on diversification policies driven by supportive measures to liberalise the service sectors, and the scaling down of domestic regulatory burdens for firms (IMF, 2014: 18). In other words, the IMF continues to call on Namibia to 'open up' its economy even more for further and more expansive penetration by capital. This advice is not new and already found expression in Namibia's export processing zones (EPZ) Act of 1995 which was introduced to make the country internationally competitive, and to create favourable investment conditions and a significant

manufacturing industry.

The AU's African Mining Vision (AMV) points to five possible linkages to increase the economic benefits for African countries from mining, namely, revenue linkages, backward linkages (supply chains), forward linkages (value addition/beneficiation), knowledge and spatial linkages to create new industries associated with mining. Namibia's former President, Hifikepunye Pohamba, endorsed the AMV in February 2009 during an AU Summit held in Addis Ababa. Namibia is also a signatory to the SADC Protocol on Mining and following a cabinet decision in April 2011 the Minister of Mines and Energy declared uranium, gold, copper, coal, diamonds and rare earth metals as strategic minerals. The ministry also recognised the need to revise and amend the Minerals (Prospecting and Mining) Act of 1992 so that it can be aligned with this strategy. However, the AMV linkages have not yet been established to a significant extent. This needs to change if Namibia wants to increase the economic benefits from extractive industries, similar to what has been achieved in the fishing sector where quota allocations were increasingly linked to an undertaking to process fish onshore. This resulted in the creation of several thousand additional jobs after independence.

The EPZs policy

Like most other EPZ host countries, the government hoped that EPZs would attract foreign investment to Namibia and boost the country's manufacturing capacity. It also expected the creation of 25,000 jobs in the EPZs between 1997 and 1999. The goal was to convert Namibia 'into a free trade zone and fiscal haven for Southern Africa' by offering very favourable conditions to foreign investors. Namibia's EPZs were not designed to attract manufacturing only, but also 'other high-value export-oriented businesses' (Namibia, 1997).

A study conducted in 1999 by the Labour Resource and Research Institute (LaRRI) found that EPZs had fallen far short of the government's expectations. At the end of 1999, the EPZs had created only about 400 jobs although millions of dollars had been spent on promoting the policy and on developing infrastructure. Government argued that it was too early to measure the success and failures of the programme (Endresen and Jauch, 2000).

In 2001, the Ministry of Trade and Industry announced that it had succeeded in attracting a project worth N\$1 billion ahead of South Africa and Madagascar, which had also been considered as an investment location by the Malaysian clothing and textile company Ramatex. This was achieved by offering even greater concessions than those offered to other EPZ companies, such as corporate tax holidays, free repatriation of profits, and exemption from sales tax. Drawing in the parastatals, providing water and electricity (Namwater and Nampower) as

well as the Windhoek municipality, the Ministry put together an incentive package which included subsidised water and electricity, a 99-year tax exemption on land use as well as over N\$100 million to prepare the site including the setting up of electricity, water and sewage infrastructure. This was justified on the grounds that the company would create close to 10,000 jobs. The plant turned cotton (imported duty free from West Africa) into textiles for the US market. Ramatex's decision to locate production in southern Africa was motivated by wanting to benefit from the Africa Growth and Opportunity Act (AGOA), which allows for duty-free exports to the US from selected African countries who meet certain conditions set by the US government (Jauch and Shindondola, 2003).

The events around the controversial Ramatex investment exemplify the shortcomings of Namibia's EPZ policy. The company's operations were problematic from the start as it polluted the groundwater with its industrial waste and embarked on some of the most ruthless and exploitative labour practices seen in Namibia since independence. Trade union efforts to recruit workers and to negotiate for better employment conditions were met with fierce resistance by the company management. The Namibian government shielded the company from criticism and went as far as accusing critics of being a threat to the national interest. Trade unions were warned to moderate their demands and not to 'scare away' investors.

By 2004, Ramatex employed almost 7,000 workers, including about 1,500 migrants from China, Bangladesh and the Philippines. The vast majority of these were women (see Jauch and Shindondola, 2003; Jauch, 2008⁷). In March 2008, Ramatex closed down its factory without giving any notice, shifting production to Cambodia. Workers were locked out and management tried to skip the country. Machinery and equipment had been shipped out during the preceding months and it took a government intervention to force the company to negotiate with the recognised union and to pay at least the legally prescribed retrenchment packages. Over 3,000 workers were left stranded and unemployed while the city of Windhoek had to spend millions of dollars to deal with the environmental damage caused by the company⁸. Ramatex cited operational losses as the reason for the closure, but was unable to provide any proof of that claim.

In November 2014, the Minister of Trade and Industry announced that the results of the EPZ policy had been disappointing and that it would be reviewed and be replaced by a more uniform set of investment incentives for all investors. The minister, however, assured the current EPZ companies that they would retain

7 'The Ramatex closure in Namibia: hard lessons to be learned', *The Namibian*, 14 March 2008.

8 *The Namibian*, 5 December 2008.

their status and benefits⁹. Thus, the Namibian government finally acknowledged that in a globalised economy characterised by cut-throat competition for foreign investments, the special incentives provided through the EPZ programmes have not resulted in the expected surge of FDI into the manufacturing sector.

Land reform

Access to and ownership of land continues to be an emotive affair as the neo-liberal willing seller-willing-buyer (WSWB) principle has yielded less than satisfactory results. Attended by no less than 500 delegates drawn from a broad spectrum of stakeholders, the 1991 National Land Conference sought to provide a platform for fostering national consensus on the volatile issue of postcolonial land reform (Kaapama, 2007: 36). Addressing the land issue has proven to be a difficult task, pitting the principles of social justice against a property-protecting constitutional provision¹⁰. The WSWB principle exemplifies a crude market-driven dispensation inimical to the tenets of what could be called a developmental state intervention.

In legal terms, the government, represented by the Ministry of Lands, Resettlement and Rehabilitation, has the right of first refusal on any farms put up for sale. The interpretation of the willing seller approach has been under the 1982 Constitutional principles, which see the free market as being the fundamental premise. There are, however, provisions in Namibian law which give the state leeway to deviate from these principles. Thus the government is allowed to set minimal compensation in the case of land which has been deemed to be under- or un-utilised. Government has recourse to the courts when a farmer sets a price above that which the state is willing to pay. The Commercial Agricultural Land Act sets up Land Tribunals, which are to adjudicate in such cases (Kaapama, 2007).

Since Namibia's independence in 1990, the process of acquiring land has proceeded at a snail's pace. From 1990 to 1998, only 48 farms were purchased for resettlement. After 1995, the government increased expenditure on resettlement by over 70% in an effort to speed up the process. It can be argued that the passing of the Agricultural (Commercial) Land Reform Act accelerated the process of acquisition, with the government having committed at least N\$20 million per annum to buy farms. This was increased to N\$50 million by a cabinet decision

9 *Namibian Sun*, 7 November 2014.

10 Viz. Article 16 of the Namibian Constitution. Following Walter Rodney, this property-protecting constitutional provision should perhaps be understood within the context of the fixation on preserving conditions that oil the expansion of capitalism. Rodney (1972: 164) reminds us that ... 'colonial governments were repeatedly speaking about the "maintenance of law and order", by which they meant the maintenance of conditions most favourable to the expansion of capitalism'. Today's political elites seem to have embraced this tradition.

taken in 2003¹¹. However, at prices of N\$2-3 million per farm, this translated into just over 20 farms per year.

The usefulness of the WSWB doctrine has come under enormous scrutiny as those sympathising with the landless blame it for hamstringing the land reform process, as landowners are reticent to dispose of their land to the state for the resettlement of landless peasants and farm workers (Kaapama, 2007: 37). In the event that landowners decide to dispose of their land, or at least pretend to do so, selling prices are so exorbitant and profitability so elusive that Sherbourne (2003) suggested that commercial farmland had become a 'rich man's hobby'. 'Assuming that the market for land is functioning without significant distortions (that is to say, buyers and sellers cannot individually influence the market price of land), there may be several reasons why commercial farmland is as expensive as it is:

- there may be subsidies available which boost profitability beyond what the market would yield if left to itself;
- there may be other activities that make farms more productive than the profitability from livestock farming would suggest, thus justifying the present price of land in economic terms;
- the tax system may encourage the purchase of farms; and
- people may buy farms for reasons other than their productive potential' (Sherbourne, 2003: 2-3).

The government has been cautious in its approach to land (re)distribution despite the historic fact that the gross inequalities in access to and possession of land are a reflection of an earlier colonial expansion (Melber, 2005). It is apparent that commercial farmland has been left to the forces of the market, and that the market seems to have been grossly distorted by the sellers. For this reason, it appears that the Namibian government has been – and still is – sustaining a distorted market. The 2013 statistics in Table 5 below reveal the slow pace at which the wheels of resettlement are turning. In this light, Werner's observation that 'the pace of land reform and in particular land redistribution is not likely to accelerate significantly in the foreseeable future', remains true fifteen years down the line. 'The main reason for this assertion is that the political balance of forces is stacked against the landless and dispossessed in particular,' (Werner, 2001: 9).

Resettlement

The National Resettlement Policy indicated that government planned to resettle some 243,000 poor and landless people on some 9 million hectares of expropriated land. The government also announced plans to acquire 360 farms totaling

11 'Land reform: prospects and challenges', *New Era*, July 2008.

4.8 million hectares by 2010. Figures show, however, that they are well short of meeting these goals. By the end of 2013, a total of only 5,006 beneficiaries had been resettled, of whom over 70% were male and only 73 were youth (see Table 5). A study conducted in 2002 pointed to further problems and described the resettlement farms as ‘rural slums’ which were ‘reproducing poverty’ (Harring and Odendaal, 2002). The study argued that the relatively small size of the plots, which are based on a model of sub-dividing commercial farms, sets them up for failure. Namibia’s arid climate, and the resultant low carrying capacity of the land, requires that farms need to be substantially larger to sustain crops or cattle. The study found no evidence of any resettlement farm which has been operating successfully. It also noted that the resettlement policy reproduced an ‘antiquated model of the colonial era farms’, whose profitability has been over-estimated (ibid).

The study recommended that as a first step, a rational assessment of the future potential of each commercial farm selected for resettlement must be conducted, and that water resources be carefully evaluated before resettlement projects are initiated. Moreover, matching the skills of particular beneficiaries with the needs of particular projects might lead to more skilful farming methods and higher incomes. Where skills are lacking, appropriate training should be prioritised. In terms of income generation, the government and the NGO sector should explore alternative means of generating additional income. The study further suggests that the potential benefits of introducing tourism on resettlement projects should not be underestimated (ibid).

Table 5: Beneficiaries of resettlement from 1990-2013

Number of all beneficiaries and youth (born between 1970 and 1996) resettled in Namibia since 1990			
Gender	Total Number of People Resettled	Total Number of Youth Resettled thus far	Percentage (%) of Youth Resettled thus far
Male	3,991	39	0.98
Female	1,015	34	3.35
Total	5,006	73	1.46

Source: Ministry of Lands, Resettlement and Rehabilitation 2014

The resettlement process shows a vast gender disparity, and access to land for the poor has been further compounded by the fencing off (privatisation) of vast tracks of communal land by individuals. For instance, the Minister of Information and Communication Technology, Tjekero Tweya, reportedly fenced off about 3,000 hectares of land in the Shamungwa village of the then Kavango

region¹². Prohibition of fencing is expressly provided for under Section 18 of the Communal Land Reform Act No. 5 of 2002. It is stated that ‘subject to such exemptions as may be prescribed, no fence of any nature – (a) shall, after the commencement of this Act, be erected or caused to be erected by any person on any portion of land situated within a communal land area’. Available records indicate that Tweya was not granted any exemption in terms of the Act¹³. It follows that his actions were in blatant contravention of the Communal Land Reform Act¹⁴.

The land reform targets which have been set could not be met under the ‘willing seller-willing buyer’ approach. The resettlement farms, which are the primary avenue for providing access to land for poor Namibians have also fallen far short of expectations, and the expropriation strategy has had only very limited success (Harring and Odendaal, 2008).

2.4 EMPLOYMENT AND UNEMPLOYMENT

The investor-friendly economic reform policies pursued after independence did not result in any meaningful structural changes in the economy and did not reduce the persistently high levels of unemployment, as reflected in Table 6.

Table 6 (a): Unemployment rates

Broad unemployment rate (15-64 years), in %	2000	2004	2008	2012	2013
Total	33.8	40.6	51.4	28.5	31.0
Male	28.3	33.8	43.6	23.6	26.7
Female	39.0	47.6	58.6	33.2	34.9
Urban areas	31.3	–	65.3	28.5	29.3
Rural areas	35.9	–	36.5	28.4	32.9
15-19 years	67.0	72.0	83.6	56.4	69.4
20-24 years	59.1	61.3	67.4	48.5	52.5
25-29 years	42.8	45.1	53.3	33.6	35.6
30-34 years	31.3	36.6	46.0	24.9	28.6
15-24 years	21.6	64.0	72.2	50.2	56.2
25-34 years	19.1	41.1	50.0	29.6	32.3

Source: Labour Force Surveys

Namibia’s unemployment figures suggest a significant drop in unemployment between 2008 and 2012 but these figures have to be treated with caution as sev-

12 ‘Tweya grabs 3000 hectares of land’, *The Namibian*, 20 March 2012.

13 ‘Tweya’s illegal fence to be removed’, *The Namibian*, 24 January 2013; ‘Tweya’s fate with President Pohamba’, *The Namibian*, 23 April 2012.

14 For more on fencing in communal areas, see ‘Illegal fencing rife in Omaheke region’, *New Era*, 9 October 2012.

eral methodological changes were made over the years. The Namibia Statistics Agency (NSA), which took over the execution of the Labour Force Survey (LFS) in 2012 from the Ministry of Labour and Social Welfare, implemented several changes to the survey questionnaire. While still using the international standard definition of one hour's work for profit, pay or family gain in the seven-day reference period ahead of the interview, it probed the question of family gain further with several new questions. This included work done for at least one hour on one's own household farm, plot, garden or cattle post; growing farm produce; looking after animals; fetching water; collecting wood; producing any goods for household use; doing repairs at one's home, plot or cattle post; catching fish, prawns or other wild animals for household consumption, etc.

Table 6 (b): Unemployment rates

Strict unemployment rate (15-64 years), in %	2000	2004	2008	2012	2013
Total	20.2	25.3	37.8	17.5	20.1
Male	19.0	22.4	32.8	15.2	18.1
Female	21.5	28.8	43.3	20.0	21.9
Urban areas	24.0		30.8	20.6	22.2
Rural areas	16.6		47.0	12.7	17.5
15-19 years	49.4	53.1	67.3	33.2	49.8
20-24 years	42.0	45.2	56.6	34.6	39.6

Source: Labour Force Surveys

The NSA paid particular attention to the question of people working in subsistence agriculture. In the LFS of 2004 subsistence farmers had not been captured at all, while in 2008 they were captured and classified as unemployed. In 2012 and 2013, those subsistence farmers who sold or bartered some of their produce were counted as employed. These differences in approach had major implications on the overall unemployment rate.

Employment trends by economic sector are shown in Table 7. Agriculture and fishing have remained the largest sectors, although their relative share declined from 31% in 2000 to 24% in 2012 before rising again to 28% in 2013. Public administration, education and health were the second most important, accounting for 15% in 2013. Mining consistently contributed a mere 2-3% while manufacturing remained stagnant at around 5%. The only sectors with fairly consistent employment growth were hotels and restaurants, and trade, reaching 6% and 12% respectively in 2013. These figures confirm the lack of economic structural transformation; neither rural development interventions nor the policies aimed at promoting local manufacturing had a significant impact on employment creation.

Table 7: Employment by economic sector (2000-2013)

Industry sector of employed. 15-64 years, in %	2000	2004	2008	2012	2013
Total	100	100	100	100	100
Agriculture & fishing	31	23	16	24	28
Mining	2	3	3	2	2
Manufacturing	5	9	6	5	5
Utilities	1	0	2	1	1
Construction	5	1	7	7	7
Trade	9	5	15	13	12
Transport & communications	3	18*	5	7	5
Hotels & restaurants	2	4	3	5	6
Financial services	1	2	3	2	2
Real estate & business	9	19*	4	6	7
Public admin, education & health	16	4	21	15	15
Other services	17	11	14	13	11
Unspecified	1	1	0	0	0

Source: Labour Force Surveys

2.5 HUMAN DEVELOPMENT

Another indicator of socio-economic progress (or the lack thereof) is human development. Despite achieving low levels of inflation and fairly consistent, moderate economic growth rates since independence, statistics from the African Statistical Coordination Committee (ASCC) show that poverty and inequality have remained widespread (Table 8).

Table 8: Namibia's Poverty Indicators

GNI Per Capita (US\$) (2012)	5,610.0
Population under-nourished (2015)	42%
Population living in poverty (2011)	27%
Human Poverty Index (HPI) Value (%) (2007)	17.1
Population below International Poverty Line (US\$ 2/day) (%) (2004)	51.1
Share of Income Held by Richest 10% (2004)	54.8
Share of Income Held by Poorest 10% (2004)	1.4
Gini's Index (2004)	63.9

Source: ASCC (2014: 277); NPC 2015; FAO 2015.

Similarly, UNDP indicators show that Namibia's macroeconomic achievements are not matched by social progress. The Human Development Indicator

(HDI) was created to emphasise that people and their capabilities, rather than economic growth alone, should be the ultimate criterion for assessing the development of a country. The HDI thus allows an assessment of national policy choices as countries with similar levels of Gross National Income (GNI) per capita can have different human development outcomes. The HDI is essentially 'a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalised indices for each of the three dimensions' (UNDP, 2014: 157).

The Inequality-adjusted Human Development Index (IHDI) takes into account not only the average achievements of a country in terms of health, education and income, but also how those achievements are distributed among its population by 'discounting' each dimension's average value according to its level of inequality. Under perfect equality, the IHDI is equal to the HDI, but falls below the HDI when inequality rises. The difference between the IHDI and HDI is the human development cost of inequality, also termed 'the loss to human development due to inequality' (UNDP, 2014:157). This method of factoring inequality into the HDI was employed by the UNDP for the first time in 2010 (UNDP, 2010: 7).

Namibia's lowest recorded position was 128 out of 186 countries in 2007 and 2012. Overall, it has consistently ranked below the world's average, which shows the paradox of being classified as an upper-middle income country while high levels of inequality prevent meaningful social and economic progress for a large part of the population. The highest ranking Namibia ever achieved was position 105 in 2010 and the country has remained in the Medium Human Development cluster since the early 1990s.

The distribution of incomes amongst Namibian households confirms the extreme levels of inequality, with per capita annual incomes ranging from only N\$2,085 in the lowest decile (accounting for 15.9% of the population) to N\$230,616 amongst the wealthiest 1.1%.

2.6 CHANGE OF STRATEGY

Following the global economic crisis of 2008 and 2009, and the announcement of a record unemployment rate of 51% in that period, the National Planning Commission presented the Targeted Intervention Programme for Employment Creation (TIPEC) in August 2010. TIPEC aimed to address unemployment in the short to medium-term. It acknowledged the need for faster economic growth and for job creation, and stated that: 'Some of the actions we will be required to take may not be something we have tried before. However, the problem we are facing demand (sic) from us that we take calculated risks in finding solutions' (NPC,

2010: 4). The document proposes to pay ‘more attention to economic sectors with high potential for growth and job creation’. These are identified as tourism, transport and livestock production (ibid.: 2). Furthermore, the NPC proposes ‘broad reforms enhancing Namibia’s long-term competitiveness’ (ibid.: 4).

The NPC advocated for a strategy of ‘unbalanced growth’ and rapid job creation by targeting specific regions and sectors. It suggested that ‘this approach is advisable where resources are limited and where there are strong back and forward linkages for the identified economic sectors.’ It also argued that economies of scale are important if the economy is to become internationally competitive and that an unbalanced growth strategy will help to achieve economies of scale (ibid.: 5). In order to finance TIPEC, the NPC proposed to increase the budget deficit from 3% to 7% over a five-year period.

The document pointed out that past policies and programmes had failed to yield the desired results due to poor implementation. The NPC, therefore, called for consistency in the implementation of TIPEC, with ministerial action plans being approved by cabinet and monitored by the NPC. The document concluded that ‘it is of utmost importance that if we agree to an increased government targeted economic intervention, we must also agree to commit ourselves to implement our plans in the most judicious manner, lest we waste scarce public financial resources’ (ibid.: 13-14).

Targeted Intervention Programme for Employment and Economic Growth (TIPEEG)

Based on the NPC proposal, the government announced TIPEEG in 2011, with a target of creating 104,000 direct and indirect jobs between 2011 and 2014. The budget allocation of N\$9.1 billion was anticipated to rise to N\$14.7 billion if the expenditure on public works programmes were added. State-owned enterprise (SOE) investments during that period were envisaged to amount to a further N\$4 billion (NPC, 2011).

TIPEEG’s priority sectors were agriculture (N\$ 3.6 billion to be invested and 26,171 jobs to be created); transport (N\$3.1 billion for 33,276 jobs); housing and sanitation (N\$1.8 billion for 35,076 jobs); tourism (N\$649 million for 10,000 jobs) and public works (N\$5.5 billion for 82,000 jobs). The agricultural projects targeted crop production, enhanced livestock productivity, forest management and water resources infrastructure. Transport investments included road construction and rehabilitation as well as rail network development and port development in Walvis Bay. The tourism investments aimed to increase the number of tourists by 10% through tourism development and wildlife management programmes, and the housing and sanitation programmes targeted the servicing

of land, the construction of low cost houses and the creation of urban and rural sanitation (ibid.).

The document acknowledged that TIPEEG itself would not provide the solution to unemployment; reducing the unemployment rate ‘to a more acceptable level will require more strategic and long-term thinking and efforts’. The document admitted that since many TIPEEG jobs will be temporary, ‘we might not see a rapid decline in the unemployment rate over the next 3 years’ (ibid.).

By February 2014, the Minister of Finance announced in her budget speech that TIPEEG had created 15,829 permanent and 67,485 temporary jobs (Kuu-gongelwa-Amadhila, 2014). Against a budgeted expenditure of N\$14.5 billion, this means that each job came at a cost of about N\$175,038. Contrary to its aims, the programme had no significant impact on the overall unemployment rate, which increased from 28.5% in 2012 to 31% in 2013.

National Employment Policy

Recognising unemployment as an unresolved challenge, the government launched a new National Employment Policy (NEP) in 2013 which presented several strategies to promote employment and decent work. The core of the NEP comprises priority measures, employment targets, instruments and mechanisms that should be implemented in the years to come; it is not limited to conventional labour market policies, but aims to provide an integrated policy framework covering macroeconomic and sectoral elements as well as the institutional ones.

The objectives of the NEP are aligned with those of the fourth National Development Plan (NDP4), with the aim that, by 2017, the proportion of severely poor individuals has decreased from 15.8% in 2009/10 to below 10%, based on the Namibian poverty line. Meanwhile, the number of permanently employed persons is projected to increase from 409,353 at the end of the NDP3 phase to 499,968 by the end of NDP4.

The NEP’s entry points are:

1. Institutional environment: Promote a sustainable environment for formal SMEs development, capacity building for social dialogue;
2. Education and skills: Increase youth employability through a relevant and effective vocational education and training (VET) system accessible in all regions;
3. Reducing extreme poverty: Introduce a basic income grant and increase access to employment for marginalised groups;
4. Public infrastructure: Increase the labour intensity of public investment with a special focus on rural areas, and

5. Implement appropriate fiscal and financial policies facilitating productive investment and job creation and develop rural and agriculture development programmes.

Following the launch of the NEP in October 2013, the Minister of Labour and Social Welfare announced that her ministry was preparing legislation to create an Employment Creation Commission to co-ordinate policies and programmes.¹⁵ It remains to be seen if and how this commission will be able to direct line ministries and SOEs to make employment creation a central part of their activities through developmental interventions that will change the structures of the 'enclave economy' and create a large number of sustainable jobs.

The National Equitable Economic Empowerment Framework (NEEEF) Bill

In early 2016, the NEEEF Bill was tabled in Parliament. It emphasises the continuing income disparities, skewed ownership of productive assets and low levels of participation in business by previously disadvantaged Namibians. Its overall aim is, inter alia, to bring about socio-economic transformation and empowerment of the previously disadvantaged majority and a more equitable income distribution. The Bill outlines 'six pillars of empowerment' and one of its key aims is to 'achieve a substantial change in the racial composition of ownership and management structures', while guarding against 'fronting practices, favouritism, nepotism and self-enrichment' (Namibia, 2016a: 13).

The Bill provides for the establishment of an Economic Empowerment Advisory Council and an Economic Empowerment Commission to implement and oversee national empowerment programmes and to review and evaluate the empowerment framework. One of the proposed measures is the restriction of white ownership; all businesses established after the enactment of the Bill will have to have at least 25% ownership by previously disadvantaged persons. Also, ownership by such persons may not be transferred to a white person or an enterprise owned by whites, who are termed 'persons who are not previously disadvantaged'. Thus the NEEEF Bill provides for some quotas, unlike Namibia's affirmative action legislation. However, empowerment deals over the last two decades in both Namibia and South Africa have shown that such interventions tend to benefit a small group of people with business and/or political connections and are unlikely to lead to a significant redistribution in favour of the poor.

The mass housing programme

Arguably the most significant public sector investment programme since independence is the National Mass Housing Programme (NMHP) which was launched in October 2013. The programme aims to build 185,000 affordable houses by 2030

15 *New Era*, 24 October 2013.

at an estimated cost of N\$45 billion. Phase one, which started in late 2013, is to run for a period of two years targeting 14 regional capital centres, and intends to deliver at least 8,800 units at an estimated cost of N\$2.7 billion (Pohamba, 2013).

The ambitious housing programme certainly constitutes a developmental state intervention with a large potential for employment creation, skills development and the setting up of value chains around construction projects. The National Housing Enterprise (NHE) estimates the creation of 2.5 direct new permanent jobs per house constructed but this figure excludes the jobs created through land servicing and the supply of construction materials (Interview with V. Hailulu, former CEO of NHE, 27 October 2014).

The government not only provides funding to the NHE as the implementing agency to construct the houses but also contemplates the provision of subsidies to make the houses affordable to the poor. The high costs of construction incurred by the NHE as a result of putting the process out to tender, has been the key concern raised about the programme. Grand projects of this nature seem always to have the potential of encouraging the mushrooming of so-called 'tenderpreneurs', who register new businesses and jump onto the gravy train with seemingly one main purpose – to become instant millionaires. Allegations of exorbitant prices and delayed funding compounded by conflict of interests came to light in May 2014 and there is widespread consensus that the building prices are inflated. The smallest core house built in Walvis Bay, for example, is 35.8 square metres in size and cost N\$235,800 to construct.¹⁶ This amounts to over N\$6,000 per square metre and makes such houses unaffordable to the vast majority of households. In its presentation to the National Employment Conference in October 2013, the NHE stated that 87% of Namibians have monthly incomes of N\$4,600 or less. To make new houses more affordable, the government subsequently announced subsidies of 50-60%.

The indications are that Phase 1 of the MHP was not sufficiently well thought through and that it was fraught with implementation difficulties, labour exploitation, mismanagement and corruption. Consequently, in May 2015, the new Minister of Urban and Rural Development instructed the NHE to stop any further construction, and cabinet decided in July 2015 to withdraw the N\$45 billion project from the NHE. The main reasons were that the NHE could not acquire N\$2 billion from private sources to bankroll the programme from 2014-16 and that NHE executives were accused of giving inflated contracts to friends and relatives which escalated prices and made the houses unaffordable for the poor.¹⁷

16 'I am angry with you, Pohamba tells Hailulu', *The Namibian*, 27 November 2014.

17 'NHE mass housing mandate revoked', *New Era*, 30 July 2015.

The Minister summed up the failure of the first phase of the housing programme as follows: 'People that were meant to benefit cannot afford them and now government needs to give a 60% subsidy which at the end of the day may not be affordable to the country'.¹⁸ The programme had failed not only in terms of the number of houses delivered (1,468 instead of 8,800 houses), but also in terms of affordability.

Grand state projects like mass housing are of course one of the ways in which the state can meaningfully intervene in the economy and achieve socio-economic progress. However, such projects will inevitably yield less than the desirable and potential outcomes when they are planned and implemented poorly, and damaged by corruption and narrow self-interests.

Overall Assessment

State interventions since independence reflect adherence to the traditional framework as reflected in macroeconomic stability, low inflation rates and low budget deficits. This, however, did not lead to sufficient levels of economic growth and nor did it result in any significant economic structural changes. Instead, ownership and employment patterns remained while unemployment rose further, affecting particularly women and young people. Ownership structures and economic policy documents testify that continuity was a central feature of the post-independence dispensation. The mining and fishing industries remained overwhelmingly foreign-owned (with the exception of NAMDEB, in which the state is a 50% shareholder) and creating favourable investment conditions for private capital accumulation has been a key government objective since independence. Contrary to the 'trickle-down' theory, human development indicators are still fairly low, proving, once again, that the traditional macroeconomic indicators are of very limited use for assessing improvements in the living standards of the majority of the population.

Thus far, the Namibian state has based its approach towards the reduction of poverty and inequality on three factors, namely growth (which is conventionally seen as a precondition for social progress), the 'elasticity factor' (assuming that growth will lead to employment creation) and the 'integratability factor' which assesses the extent to which the poor are empowered to benefit from growth. Following this approach (as indicated in the NDP4) implies an emphasis on economic growth above all else, and a hope that the trickle-down effect will have a positive impact on unemployment and poverty.

The introduction of TIPEEG, and subsequently of the national employment policy and the mass housing programme, signalled a departure from the state's

18 'Mass housing will resume soon-Shaningwa', *The Namibian*, 14 July 2015.

limited role as the provider of conducive investment conditions for capital and of basic social services for the population. Instead, more direct interventions to create jobs and housing were adopted, but they were placed within a market-oriented framework and hence had a limited impact. The next section will explore the potential for more transformative interventions.

3. ORIENTATION OF THE STATE AND INSTITUTIONAL ARCHITECTURE

This section briefly examines some of the key national policy documents and highlights some trends regarding the Namibian state's orientation towards development. The centrality of human well-being as an outcome of development processes is emphasised in Chapter 11 of the Constitution, which sets out the principles of state policy, including the 'promotion of the welfare of the people'.

3.1 VISION 2030

Namibia's development vision is further outlined in Vision 2030 which was adopted in 2004. It focuses on eight themes:

- Inequality and Social Welfare;
- Human Resources Development and Institutional Capacity Building;
- Macro-economic Issues;
- Population, Health and Development;
- Natural Resources;
- Knowledge, Information and Technology; and
- Factors of the External Environment.

The overall goal of Vision 2030 is:

To improve the quality of life of the people of Namibia to the level of their counterparts in the developed world by 2030. The Vision is also designed to promote the creation of a diversified, open market economy, with a resource-based industrial sector and commercial agriculture, placing great emphasis on skills development. One of the major principles upon which Vision 2030 is based is 'partnerships', which is recognised as a major prerequisite for the achievement of dynamic, efficient and sustainable development. This involves partnership between government, communities and civil society, partnership between different branches of government, with the private sector, non-governmental organisations, community-based organisations and the international community, partnership between urban and rural societies and, ultimately between all members of the Namibian society.

The driving forces for realising the objectives of Vision 2030 are:

- Education, Science and Technology;
- Health and Development;
- Sustainable Agriculture;
- Peace and Social Justice; and
- Gender Equality (NPC, 2004)

3.2 NATIONAL DEVELOPMENT PLANS

Namibia's development strategies are outlined in five-year national development plans. In the foreword to the NDP4, President Hifikepunye Pohamba stated that:

Our biggest challenge as of 2012 is the inadequate and volatile economic growth we have experienced so far, and the lack of employment opportunities available in the country. The government is keenly aware that most of the unemployed are young people and women. This status quo cannot be allowed to continue: too many of our young people's dreams are not being realised. It is our resolve to do all that is necessary to transform our economy into one that is more robust, one that is able to generate these essential employment opportunities.

The overall goals of NDP4 are high and sustained economic growth, employment creation, and increased income equality. In other words, economic growth is seen as the fundamental objective which will then 'trickle down' in the form of jobs and decreased inequality. The document also outlines what it terms 'foundation issues', without which other initiatives are unlikely to succeed; these include:

- maintaining macroeconomic stability;
- developing and retaining the superior skills needed by both the private and public sectors;
- developing research and development capacity;
- making Namibia the preferred investment location in Africa; and
- managing the environment (Alweendo, 2012).

3.3 BUSINESS INFLUENCE OVER THE STATE

Using as a point of departure the suggestion that the state in southern Africa is an undifferentiated one (Chabal and Daloz, 1999) – that is to say, the state is reduced to the party in power – the context in which collusion between the state and capital can be located is at the intersection of political elites and private businesses. In the case of Namibia, the mining industry provides an example of capital's influence over the state.

Collusion in the Mining Industry

The issue of collusion between government and capital interests in the mining industry (particularly uranium) dates back to shortly before Namibia's independence. This passage from Hecht (2012: 103) is revealing:

Throughout the liberation struggle (...) SWAPO strongly condemned the uranium contracts in public. But as early as 1976, SWAPO signalled that its private posture might differ. Eager to ensure that 'SWAPO and *Rio Tinto Zinc* (RTZ) develop a reasonable relationship in advance of independence,' the Foreign Office's new southern Africa specialist, Martin Reith, hosted a luncheon to grease the wheels. Guests included Peter Katjavivi, SWAPO's representative in Europe, and Frances Vale, RTZ's political advisor. The outcome surpassed Reith's hopes. 'After conviviality had developed,' Katjavivi 'lightly derided the British Government for acting solely in its own interest over Namibia.' Reith replied that Britain was using 'what credit [it] had with the South Africans in order to get them out,' but that 'SWAPO's threats about uranium were not much help.' At which point, Reith retorted, 'Mr. Katjavivi said not to worry. We should realise that SWAPO had to take a certain public line on Rossing. We have to create an atmosphere of insecurity.' He went on to say, looking at Miss Vale and myself and emphasizing that his remarks were off the record, that a SWAPO Government would not disturb RTZ's position in Namibia.' Later in the course of the lunch, apparently, Katjavivi 'went on to speak slightly of the UN Council and [its chairman] Mr. MacBride, saying that they were 'irrelevant' to Namibia.'¹⁹ These surprising words contradicted SWAPO's public position and the stance taken by its president, Sam Nujoma, a year earlier while meeting with Foreign Secretary James Callaghan.²⁰

A more recent instance relates to the proposed changes to mining tax. In July 2011, it came to light that the Ministry of Finance was in the process of increasing non-diamond mining tax from 37.5% to 44%²¹. This was received with outrage by the business community and led to a backlash from the mining industry, including a threat to declare Namibia an unsafe investment destination. In August 2011 the government decided not to go ahead with the increase (Sherbourne, 2013: 169). Notwithstanding that the government should consult widely on tax reforms, their back-peddling demonstrates the power of capital interests. Business-friendly economists like Sherbourne argued that the reversal 'represented a victory for engagement and dialogue and showed government was prepared to change its mind' (ibid: 169). However, the event rather points to the influence that capital has over the state and it shows the limited power of government

19 Martin Reith, 'Note for the Record: Namibia Uranium', 23 February 1976. TNA: FCO 45/1940 as cited in Hecht (2012: 103).

20 'Record of a meeting between the Secretary of State for Foreign and Commonwealth Affairs and Sam Nujoma, President of SWAPO, at the Foreign and Commonwealth Office on 11 June 1975 at 4.15 pm'. TNA: FCO 96/414 as cited in Hecht (2012).

21 'Minister announces new taxes', *The Namibian*, 22 July 2011.

when dealing with capital interests.

The pro-business bias is also reflected in the country's foreign investment and EPZ Acts, as well as the constant emphasis on the private sector being the engine of economic growth and job creation. Also, the NDP4 contains sections with a clear bias towards the interests of capital and against those of labour. It criticises Namibia's levels of labour flexibility and productivity and laments that the Labour Act is inflexible in terms of working hours. It also states that 'laying off workers is very challenging and, consequently, companies are reluctant to hire additional permanent staff'. Further criticism is levelled against the number of leave days granted to workers and labour productivity is described as low without citing any evidence in this regard (Namibia, 2012: 37).

3.4 ENGAGEMENT WITH GLOBALISATION

Namibia is a member of the AU, SADC and SACU but has also joined the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO), whose influence further promoted business interests through IMF and World Bank advisors having 'assisted' with the country's public expenditure review and educational reform, and with training high-ranking staff members of government economic institutions.

Despite largely accepting the standard prescriptions for liberal market economies, the government resisted the proposed Economic Partnership Agreements (EPAs) as driven by the European Union (EU) for the African, Caribbean and Pacific (ACP) countries. On 12 December 2007 Namibia initialled an interim EPA with the understanding that the concerns it had raised would be addressed as part of the negotiations towards a comprehensive agreement.²² In February 2014, the Minister of Trade and Industry announced that the SADC EPA group had reached a consensus to abandon the interim EPA and to embark on full EPA negotiations instead. The most controversial issues on which no agreement could be reached centred on the loss of policy space for industrial development and regional economic integration, with Namibia defending its position that EPAs should be instruments of development rather than limiting a country's policy options.²³

In July 2014, the Minister announced that a deal had been concluded between the EU and the SADC negotiating group and that Namibia would sign the EPA. He stated that important advances had been made during the negotiations on critical aspects such as the Most Favoured Nation (MFN) treatment for EU imports, the abolition of quantitative restriction on imports, the freezing of existing

22 For more on identified concerns, see Karamata and Roux, 2010.

23 'Namibia now negotiating towards full EPAs', *The Namibian*, 21 February 2014.

export taxes, the prohibition of new import taxes, and a highly restricted use of infant industry protection.²⁴

3.5 DEMOCRATIC SPACES FOR OTHER ACTORS

Other social organisations found it more difficult to influence state policies. At independence, Namibia adopted a system of representative democracy with regular elections conducted at local, regional and national level. These elections are widely regarded as free and fair, and the ruling SWAPO party has remained the dominant force. The underlying assumption of representative democracy is that the elected representatives will act in the interest of those who voted them into office. However, only the members of the National Council represent electoral constituencies; those in the National Assembly hold power on the basis of the national party list system. This limits the direct participation of citizens and there are no formal structures for a more participatory democracy. In terms of policies and programmes, it is up to individual ministries to decide the extent of consultations, while the decision-making power remains with the elected politicians.

Perhaps the most prominent statutory body to allow a measure of stakeholder participation is the tripartite Labour Advisory Council (LAC), established under the Namibian Labour Act of 1992. The LAC and its sub-committees have been the organisational expression of tripartism since the enactment of the Labour Act. Initially its main purpose was to advise government on labour legislation and other labour-related matters. Whilst the composition and administration of the Council have remained unchanged, its powers and functions have been extended to support the new dispute prevention and resolution system introduced by the Labour Act of 2007.

In recent years both business and labour have expressed their dissatisfaction with the limited powers of the LAC. A study commissioned by TUCNA found that the LAC is inadequate for achieving a social contract and that it is of limited value in its current form even as a mechanism for meaningful consultations between the Ministry and its social partners. The report notes that the LAC satisfies the technical requirements of ILO Recommendation 138 and Convention 144 but not the spirit and intent of these instruments. Its advisory nature, and its focus on just one ministry, undermines the chances of reaching consensus by the social partners on broader socio-economic issues. The report further notes that the LAC has failed to build greater trust and understanding between the social partners and that it suffers from a number of operational problems. The report thus recommends 'strong interventions' to address the institutional and constitutional features of social dialogue in Namibia 'while at the same time facilitating

24 'Namibia agrees to sign EPA agreement', *The Namibian*, 18 July 2014.

stronger cooperation amongst and within the (social) partners'. The report urged government to take the lead and to use the current challenges to deepen and better integrate social dialogue processes as enabling factors towards inclusive job-rich growth and pro-poor development (Koen and Bahadur, 2013).

The Namibian government seems sceptical about a fundamentally different type of social dialogue arrangement and rather wants to examine how social dialogue can be strengthened under the current configuration, for example in the form of a strengthened LAC, rather than changing structures (Jauch, 2012b).

At regional and local government level, participatory decision-making processes are virtually absent. A study conducted by Tjirera and Haimbodi in 2012 found that regional and local structures are inactive when it comes to improving governance systems and levels of accountability. Instead, they tend to look towards national government for answers, directives and bail-outs. Their study found that structures for local accountability such as Constituency Development Committees and Village Development Committees were either non-existent or poorly focused; they appeared to be 'little more than democratic window-dressing with no legal or formal basis' (Tjirera and Haimbodi, 2012: 2). Only a very small minority of Namibians seem to participate at local and regional government levels even if consultative mechanisms exist. One of the challenges is that local councillors are elected according to party lists and thus have no direct link with a particular community (Ibid.). This makes participatory democratic practices difficult and limits the influence of social constituencies, even if they are organised.

3.6 EFFICIENCY AND COMPETENCY OF THE STATE BUREAUCRACY

The experiences of South East Asia suggest that developmental state interventions require a highly competent, professional and committed bureaucracy with a strong planning capacity. (Dansereau, 2014). In relation to its population of 2.2 million, Namibia has one of the largest civil services in the world. By February 2013, the total number of civil servants stood at 97,535 which is expected to increase to 112,276 within the 2013/14 financial year and to 129,560 thereafter. These increases contradict the proposals of the Wages and Salaries Commission (WASCOM) of 1996 which recommended a smaller but better paid, more professional and more efficient public service.²⁵

Personnel expenditure for the civil service increased from N\$7.8 billion in 2009 to N\$17 billion in 2013 and was expected to rise further to N\$22 billion in 2014. This latter is about 42% of the projected total government revenue and thus the former Minister of Finance, Saara Kuugongelwa-Amadhila described the

25 'Civil service expands by 15,000', *The Namibian*, 26 February 2014.

public wage bill as a ‘growing concern’, while other politicians have repeatedly questioned not only the size of the civil service but also its efficiency in terms of service delivery. Dr Joseph Diescho, the former executive director of the Namibia Institute for Public Administration and Management provided some insights into the dynamics that hamper Namibia’s public service efficiency. He outlined that after 12 years of independence, the Namibian government realised ‘that the public service was predicated upon the wrong business model and was not fit for purpose’. Government realised that there were three categories of public servants in Namibia. The first category consists of those who served in the colonial administration and were schooled ‘in the world of white supremacy and black subservience’. Diescho argued that they created a ‘foundation for a bureaucracy that can work’.²⁶

The second category ‘comprises former freedom fighters, real or imagined’. They made sacrifices for the independence of Namibia but did not get the opportunity to acquire the skills required to run the public service and so got senior positions due to political considerations. They were joined by some people who joined liberation politics after independence for career reasons. Diescho argues that this group does a great disservice to the government and the country’s citizens (ibid.).

The third category consists of a growing number of young Namibians who are entering the public sector with qualifications from tertiary institutions and as a career of choice. ‘They constantly face a brick wall from their older white supervisors, who loath to be challenged with new ways of doing things on the one hand, and by the freedom fighters who shut the new professionals up with the question: where were you during the struggle, on the other’ (ibid.).

3.7 STATE-OWNED ENTERPRISES

Similarly, doubts have been raised about the efficiency of Namibia’s SOEs. There are over 70 of these; most are either regulatory or service-rendering with some being self-funding and others relying entirely on state funding. They are governed by the State-Owned Enterprise Governance Act (No 2 of 2006) and the government plays a multiple role as owner and shareholder, policy-maker and regulator. Old Mutual’s former director of Africa Operations, Johannes !Gawaxab, proposed that SOEs need accountability and leadership by experienced and qualified directors and CEOs who can set up effective performance management systems. He warned that politically motivated appointments would undermine their performance, thus hampering the fulfilment of their mandate. He proposed that SOE Boards should be at the centre of corporate governance. He pointed out that SOEs have an im-

26 ‘The state and the future of the public service in Namibia, part 1’, *New Era*, 13 May 2014.

portant role to play, as they 'were established to address market deficits, capital shortfalls, to promote economic development, reduce mass unemployment and ensure national control over the overall direction of the economy.'²⁷

More than a decade ago, the largest trade union federation, the National Union of Namibian Workers (NUNW), proposed the establishment of a single controlling board for all SOEs consisting of representatives of all 'social partners' to formulate policies to regulate SOEs, and to monitor and evaluate service delivery and performance. The federation emphasised the importance of safeguarding affordable services for the poor. It pointed out that the impact of commercialisation has been very harsh for the poor. 'We have seen that recently with Telecom Namibia which increased local calls by 80%. Namwater increases the water price by 20% each year and NamPost increase its rate by over 40% recently. This means that the services of these companies become unaffordable for the poor.' The NUNW thus proposed tariff ceilings to be set by the overall controlling board according to the social goals (NUNW, 2001).

The NUNW further proposed a system of cross-subsidisation from the wealthy to the poor at all SOEs involved in service delivery. It suggested grouping SOEs into different categories according to the functions they perform and the services they provide. 'This will enable the drafting of guiding policies for each group of SOEs in terms of regulation, performance monitoring and service delivery. This is essential for the controlling board to ensure maximum public benefits from SOEs' (NUNW, 2001).

It seems clear that several of the key challenges of SOEs have not been successfully addressed, and in some instances have become even worse. Namibia's then finance minister, Saara Kuugongelwa-Amathila, questioned the continued dependency of some SOEs on government for operational support.²⁸ In the 2014/15 budget, support for SOEs amounted to N\$9.5 billion and included funding for infrastructure development. Transfers to SOEs are also meant to supplement guarantees for loans to be raised by SOEs themselves from other sources.²⁹ In the current mid-term budget (2015-18), N\$1 billion was allocated to bail out Trans-Namib, N\$1.93 billion was set aside for Air Namibia and about N\$5 billion each was allocated to the railroad system and to Nampower for the Kudu gas project. On the other hand, SOE dividends to government were expected to amount to a mere N\$180 million in 2015/16.³⁰

Reforms need to be tailored to the different roles and functions of SOEs.

27 *New Era*, 14 June 2012.

28 'Ballooning wage bill worries govt', *The Namibian*, 13 March 2014.

29 'Public service size concerns Saara', *Informante*, 13-19 March 2014.

30 'Government to spend billions on SOEs', *The Namibian*, 7 April 2015.

Those performing regulatory functions need to emphasise capacity and operational efficiency. Those entrusted with delivering important services will have to be measured differently. They perform important developmental functions and should not be judged by commercial criteria alone. Instead, ‘social efficiency’ seems the more appropriate yardstick. In such cases, government subsidisation is not only justified but necessary. The enhancement of performance and efficiency can be done while retaining service-delivery SOEs under public ownership. Privatising them would subject them to the profit motive, thereby excluding the poor from receiving the services.

Ahead of his election as President, Dr Hage Geingob argued that SOEs are characterised by resource wastage, bankruptcies and boardroom infighting, and that the multiple layers of authority and communication makes it difficult for the current SOE Governance Council to perform its functions effectively.³¹ Once in office, he established a Ministry of Public Enterprises but it remains to be seen if it can resolve the fundamental problems confronting SOEs in terms of their playing a developmental role.

The next section will outline further challenges that will need to be confronted if Namibia is to undertake successful developmental interventions.

4. OBSTACLES TO DEVELOPMENTAL STATE INTERVENTIONS

In identifying the constraints to developmental state interventions in Namibia, we will draw on the previous sections as well as on some of the criteria set out by Dansereau (2014). Based on the East Asian experiences, she identified three key elements of the developmental state. Firstly, an emphasis on ‘bringing about domestic industrialisation and especially manufacturing through a unique form of import substitution’. Secondly, ‘the key role of the state in supporting cohesion between political and economic elites through the creation of development institutions, other protectionist policies with an emphasis on education and local skill development’. Thirdly, ‘the need for high savings rates which tied in well with an authoritarian political system devised in conjunction with the need to keep down wages and quell dissent’ as the notion of social cohesion ‘was reserved essentially for the alliance of state and economic elites’.

In the Namibian context, labour repression and a narrow social compact between economic and political elites is not an option, and would be politically unacceptable. The focus has to be on broader democratic participation, including the achievement of decent work as set out in Namibia’s decent work country programme. A developmental state in Namibia will have to deal with the conflicting interests of labour and capital and thus be distinct from those in East Asia.

31 ‘Geingob proposes new ministry’, *The Namibian*, 10 July 2012.

Dansereau has warned that a developmental state has to take note of the problems associated with the economic contradictions at the heart of the debate between savings and redistribution. Failure to acknowledge these might lead either to an authoritarian state with severe democratic deficits or to a democratic developmental state that is unable to move development further. 'The danger is that without resources to both save and redistribute, and without addressing the nature of participation that is seen as key to the democratic developmental state, especially for labour, we are left with a set of policies that resemble the World Bank's good governance agenda and a set of policies that are of little benefit to labour' (Dansereau, 2014).

Furthermore, Dansereau pointed out that 'the East Asian developmental state succeeded because of the extent to which it was self-directed and was able to design a self-centred model that corresponded to its local conditions, the most significant of which is its timing in relation to the emergence of the global economy in which the region now plays a crucial role as manufacturer to the world, made possible in large part by the ongoing reality of cheap labour'. Again, this aspect of the East Asian developmental state is neither feasible nor desirable in Namibia today.

4.1 IDEOLOGICAL CONSTRAINTS

As we have pointed out above, the ideological predisposition of the Namibian state appears contradictory and therefore difficult to pin down. In the absence of a clear ideology that could anchor developmental state interventions, Namibia moves between market fundamentals and welfare policies. Remote traces of something like an ideology are contained in Chapter 11 of the Namibian Constitution. It is particularly at the intersection of Article 95 – Promotion of the Welfare of the People, and Article 96 – Foreign Relations, where some ideological leaning may be detected. However, the right to benefit from welfare as set out in Article 95 cannot be legally claimed by citizens and thus is not enforceable. Rather, the article is a statement of intent, based on social democratic welfare ideals. In order to direct the state, these constitutional provisions would have to be amended so that the state is obliged to meet its welfare obligations. While constitutional changes do not immediately result in tangible state interventions in the short-term, they could pave the way towards changing the philosophy and behaviour of the state towards the welfare of the citizenry.

Contrary to the ideals proclaimed in the constitution, Namibia increasingly runs its state affairs according to the 'politics of the belly', a term coined by Jean-Francois Bayart that refers to neo-patrimonial forms of governance and the interdependence of the elites in control of the public and private spheres.

These elites strengthen and feed off each other, as exemplified by ‘tenderpreneurs’ who often operate with a sense of entitlement.³² In turn, for benefiting directly from state resources (for example the awarding of government tenders), the beneficiaries show generosity towards those in the political and administrative system. As pointed out by Melber: ‘After all, these provide the troughs. Fundraising banquets by the former and current head of state for their political enterprises are a primary example illustrating when payback time has arrived. Filling the party coffers is a similar patriotic duty. After all, those who give will be given...’(ibid.).

There are signs, then, that the ideological orientation of the Namibian state changed not only from the socialist rhetoric of the liberation struggle towards pragmatic market-oriented economic policies after independence, but further towards a system of patronage that is geared towards personal gratification rather than any higher ideal. The awarding of tenders and scholarships to family members of the political elite, the fencing of communal lands by political leaders, the continuous increase of politicians’ earnings and benefits, the enormous amounts spent on civil servants’ and politicians’ travel and subsistence allowances, the increase in the number of parliamentarians from 78 to 104, plans to build an even more luxurious new parliament, houses for regional governors and a N\$450 million state of the art military hospital which will serve members of the army, air force and navy as well as foreign dignitaries and Namibian VIPs³³ – are all elite projects that will have very limited developmental impacts.

4.2 ORGANISATIONAL CONSTRAINTS

In organisational terms, the Namibian state also seems to lack the coherence to effectively implement developmental interventions. The National Planning Commission, situated in the Office of the President, is supposed to co-ordinate overall government efforts, but its influence seems limited to the production of the national development plans. These plans are not coordinated with national budgets and the mid-term expenditure frameworks and they also seem not to be binding on line Ministries. A very frank assessment about the lack of coordination at the highest executive levels was provided by the former prime minister, who stated in an interview that his peers in cabinet deliberately ignored his instructions in order to undermine his success and credibility: ‘People were focusing on the upcoming SWAPO congress of 2012, so whatever you do as a prime minister, your political competitors in most cases would not want you to succeed. That’s why

32 ‘Namibia: the politics of the belly’, *The Namibian*, 22 July 2014.

33 ‘N\$450 million hospital on the cards’, *New Era*, 15 July 2014; ‘S&T gravy trains rumbles on’, *The Namibian*, 13 November 2013; ‘Election shocker’, *Informante*, 3-9 July 2014.

programmes like economic empowerment could not go through... I remember writing a letter to the Director-General of the National Planning Commission to have a component of training to give young people skills [as part of TIPEEG]. That letter was not even acknowledged,³⁴

4.3 SKILLS CONSTRAINTS

A 2010 study titled ‘Namibia’s Skills Deficits: Cross-Sectoral Perceptions and Experiences’ revealed that 96% of employers surveyed agreed with the statement that Namibia is experiencing a skills shortfall. This mirrored another finding of the same study which suggested an overall dissatisfaction (75% of those surveyed) with the performance of tertiary institutions and training authorities in meeting demands of the labour market (Links, 2010). What this study suggests is that there are serious capacity constraints and this is inimical to putting the country on a developmental trajectory with a sizeable manufacturing base. By all indications, the ever-increasing budgetary resources to the education sector have not been commensurate with products from tertiary institutions and training authorities. It appears that there has been an over-emphasis on access to education while the quality of education has been compromised.

4.4 FISCAL CONSTRAINTS

Namibia’s fiscal constraints regarding developmental state interventions are less severe than the ideological and organisational ones. Over the years, the country’s national debt stock increased from N\$536 million in 1991 to N\$5.7 billion in 2000 and to N\$26.4 billion by the end of 2012. This amounted to just under 60% of the GDP. Namibia’s risk of debt distress has remained sustainably low, and a domestic financial market has developed which both the government and the private sector use to meet their development funding needs (AFRODAD, 2013).

A report by the African Forum and Network on Debt and Development (AFRODAD) pointed out that public borrowing in Namibia follows predictable rules and procedures within a coherent institutional framework. However, government’s reliance on the domestic debt market puts an increasing burden on the government budget and necessitates the efficient use of borrowed resources. Furthermore, despite the many institutions dealing with loan contracts, there is no effective oversight, as the executive can legally finalise a loan transaction before presenting it to parliament for approval. AFRODAD (2013) recommended that parliament needs to play a stronger role to ensure accountability in loan contracting and debt management processes. Parliament was also advised to put pressure on the executive to improve fiscal and budgetary performance and

34 *Namibian Sun*, 9 May 2014.

create space for civil society input.

Namibia's 2014/15 budget projects a deficit of N\$7.6 billion (5.4% of GDP) and there was a significant decline in the country's reserves in absolute terms (Brown, 2014). Thus, Namibia cannot rely on savings to finance developmental interventions and will have to resort to debt financing as was the case with the TIPEEG programme. Such interventions are still possible without endangering the overall fiscal framework, but the space is diminishing. TIPEEG was not well thought out and a more strategic approach will be essential for any meaningful developmental intervention in future. As observed by Brown (2014:13): 'the budgetary process often appears more about allocating money than assuring its optimal use. Few projects are properly reviewed and appraised as a matter of course before receiving funding, and as such the allocations are often far from ideal to assure the best possible development outcomes'.

4.5 TECHNOLOGICAL ADAPTATION AND RESEARCH

The NDP4 recognises research and development (R&D) and innovation as critical for the economic development process. The document therefore promises that companies will be encouraged to adapt new technologies and to invest in R&D. Furthermore, the government plans to 'establish platforms for co-operation between the public and the private sectors as well as with tertiary institutions. The broader strategy will be to elevate innovation to a national level, with representation at all stages of the innovation process' (GRN, 2012: 40). The Research, Science and Technology Act No. 23 of 2004 which brought into being the National Commission on Research, Science and Technology speaks to the recognition of R&D as a catalyst for fuelling economic growth and development. Section 23 of the Act also provides for a National Research, Science and Technology Fund. In terms of research support mechanisms, the Council for Research and Industrial Innovation (CRII) assists with data access, permits and research facilitation, promotion of the work of affiliate institutions, staff development, research ethics, promotional activities, patents, copyright and intellectual property rights, marketing and development, and quality control issues (Kgabi, 2011).

In terms of the past performance, the NDP4 admits that R&D and innovation are at a 'fairly low ebb', as there is minimal interaction between the state, research institutions and the private sector, and incentives for targeted R&D in respect of new technologies are non-existent (Namibia, 2012: 37).

One possible focus of intervention is renewable energy technologies that can convert the country's abundant solar, wind and biomass resources into electrical energy. Namibia's excellent solar regime can be harnessed by solar heaters,

solar photovoltaic technologies and solar power plants. Invader bush (a collective term for several species of thorn) represents a significant and sustainable biomass energy source that could generate thousands of long-term jobs in rural areas. Power plants fuelled by invader bush can operate on the lines of traditional coal-fired power plants, generating electricity and jobs in the process (von Oertzen, 2012: 4).

4.6 SIMILARITIES WITH ASIA?

Namibia is hardly comparable to the Asian developmental state examples, but as Dansereau (2014) pointed out, ‘one discernible lesson which is amenable to any developmental state, notwithstanding the temporal and cultural make-up dimensions, is the primacy of manufacturing as the dominant economic organising principle’.

In stark contrast, Namibia’s manufacturing sector accounts for only around 5% of employment and therefore constitutes anything but the dominant economic sector. Unless there is a systematic intervention to change this, Namibia can draw little from the Asian experiences. As a result of the lack of structural economic transformation, social problems such as unemployment, inequality and poverty remain visible after more than a quarter century of independence.

6. CONCLUSION

Namibia is a resource rich and sparsely populated country that grew out of a history of crude labour exploitation and suppressed economic development. The focus in the post-independence era was on extending critical social services to the majority of the population and expanding infrastructure. Economic ownership structures remained virtually unchanged as foreign capital continues to control the extractive industries and most of the tertiary industries. Manufacturing has remained negligible, despite various government policies to create a large number of jobs in the sector.

With a population of just over two million, Namibia should be able to take advantage of a large natural resource base and ensure a more equitable resource allocation and the eradication of poverty. But having an abundance of resources without local capacity to exploit them perpetuates an economic structure that benefits only a small elite. Some analysts suggested that Namibia was not yet afflicted by the ‘paradox of plenty’ (for example, Hopwood, 2013),³⁵ but evidence overwhelmingly negates this observation. Namibia is characterised by enormous wealth co-existing with acute deprivation and the country’s socio-economic order

35 Also known as ‘resource curse’ and ‘used in connection with countries with an abundance of natural resources, particularly minerals and hydrocarbons, but extreme poverty due, at least in part, to the diversion of extractive industry revenues to a politically-connected elite’.

conforms largely to one shaped by the 'resource curse'. Prevailing political stability and the absence of large-scale violence should not be taken to mean that all is well. By all indications, Namibia is quintessentially a 'rich country with poor people' and this exemplifies the 'paradox of plenty'.

Thus far, Namibia has followed macroeconomic orthodoxy and for the first 20 years of independence has kept very low budget deficits in addition to the moderate economic growth rates and the low inflation rates. Coupled with investor-friendly economic policies, these achievements were paid for by very low improvements in the human development index as well as continued high levels of income inequality and socio-economic gender inequality. This indicates that despite the substantial public investments in the past five years, Namibia has fallen short of becoming a developmental state.

The analysis conducted in the previous sections reveals that the Namibian state lacks a clear ideology. The political leadership regularly expresses its commitment to socio-economic development and the reduction of inequality and poverty, but often does not act accordingly. This resulted in contradictory actions: on the one hand, social pensions were extended to all, and social security and labour rights were improved. On the other hand, large amounts of public resources are spent on huge packages for politicians and SOE managers, on building expensive state houses (and soon parliament) as well as on government vehicles. This undermines the potential developmental impact of state expenditure.

However, after following the standard prescriptions of the IMF and World Bank for the first two decades of independence, Namibia has started using the fiscal and policy space for developmental interventions such as the TIPEEG programme and more recently the mass housing programme. While TIPEEG had a limited impact on employment creation, the mass housing programme holds considerable potential for employment creation, skills development, the establishment of supply chains and large-scale delivery of houses for the poor. In order to achieve this, it needs to be implemented in a substantially different manner during its second phase as from 2016.

In terms of the required highly competent, professional and committed bureaucracy with a strong planning capacity that is able to implement developmental policies and programmes, Namibia falls short. Political leaders themselves have repeatedly pointed to the large size and inefficient performance of the civil service and SOEs alike. On the other hand, Namibia's elected representatives enjoy a fairly high level of political legitimacy as expressed through regular elections that confirmed the ruling party as the dominant force in almost all regions. However, the elected representatives' legitimacy emanates primarily from their position on the party list. More direct forms of participatory democracy with

mechanisms for mandates and recall currently do not exist. As a result, political decisions are taken in a hierarchical manner which undermines substantive grass-roots participation in democratic processes.

The Namibian state has thus far limited itself to regulating markets without taking steps to decisively shape and direct them towards particular outcomes. Even small steps like increasing the taxes on the mining industry were reversed when the global mining houses expressed their displeasure. Namibia has repeatedly tried to create an enabling environment through support programmes such as the SME bank but there was no deliberate state intervention to enhance productive capacities based on social needs. The limited transformational role of the state was recently acknowledged by the Minister of Economic Planning and Director General of the National Planning Commission, Tom Alweendo, who called for a total transformation of the country's economy that goes beyond 'minor tweaking of the status quo'. He argued: 'What we need is State-led economic development where the state does much more than just provide a conducive environment for the private sector.'³⁶ The mass housing project launched in 2013 could have presented such an opportunity, but delivery in the first phase was based on a tender system which benefited a few companies and individuals while falling short of the broader developmental potential.

Despite the Vision 2030 document, Namibia currently lacks the ideological coherence and institutional capacity to transform economic structures and to break the limitations imposed by market policies. Coupled with increasing signs that the 'politics of the belly' have taken root, there is a danger that societal institutions tasked with oversight functions (such as the Anti-Corruption Commission and Parliament) are unable to prevent the predatory behaviour of those in charge of public resources and those lining up to derive corporate and personal benefits from them. The awarding of exploration licences and construction tenders are cases in point.

In financial terms, the Namibian state has space to manoeuvre, but financial investments need to be strategic and well-targeted to have a lasting, structural impact. The N\$14 billion spent on TIPEEG during the past three years shows that merely spending large sums of money does not solve a problem. During the implementation of the TIPEEG programme, unemployment rose from 27% in 2012 to 30% in 2013, and the HDI index remained largely unchanged.

The external environment of a highly competitive and often ruthless global economy does not make developmental interventions easier. Namibia is a member of the World Bank, the IMF and the WTO, all of which promote market-oriented policies. Their views are reinforced by the World Economic Forum which

36 'Alweendo in favour of State-led economic transformation', *New Era*, 29 March 2016.

consistently tries to uphold the mantra that economic development must take place within a market-oriented environment while government's task is to create of conducive business conditions and provide essential social services. As local economists tend to argue along the same lines there is currently little debate about the role of the state beyond the narrow 'good governance' discourse.

The main question therefore is: *Quo Vadis* Namibia?³⁷ Drawing from the foregoing discussion, we offer the following recommendations for further debate:

1. **Land:** As the liberation struggle was chiefly about land, the land question requires serious rethinking and readjustment. The pace of land reform and redistribution has been ominously slow. The fencing of communal lands by the elite has further worsened the access to land by the poor and was counter-productive in both social and economic terms. Communal lands need to remain accessible to the poor, and the elite should be limited to commercial farming ventures. Social class should be introduced as a criterion when resettlement farms are allocated and a systematic support programme is needed to ensure the productive land use by resettled farmers.
- Furthermore, land usage could be improved by the deliberate setting up of value chains (for example turning fruit into juices and jams or grain into biscuits and cereals) as well as linking producers with consumers. A practical example of this was the quota introduced for local fresh produce in retail shops which led to an increase from 5% local produce to 40% within a period of eight years. These are the kind of developmental interventions required to transform the agricultural sector.
2. **Economic policy:** Namibia needs a coherent economic policy that is unambiguously robust in terms of maximising the benefits from natural resources for the population as opposed to being a reservoir of raw materials for monopoly capital. It is unacceptable that Namibia is not self-sufficient in energy and basic food supplies 26 years after achieving political independence. Over-reliance on South Africa for basic food items and energy is disastrous for the future of the country. On the energy front, there should have been an expansive roll-out of solar energy programmes given the abundance of sunshine that Namibia enjoys. The fact that renewable energy projects need to be fast-tracked to lessen the negative effects of the looming energy crisis on the economy bespeaks a lack of forward planning in the energy sector. The state-owned power utility Nampower has not been able to avoid large electricity price

37 This Latin phrase means 'Where are you going?'

- increases and unreliable supplies, particularly in the remotest of areas, and has also failed to lessen the dependency on power imports from South Africa.
- Considering that manufacturing is the economic core of any developmental state project, Namibia must take bold and decisive steps to move beyond the current extractive economy. Expanding the country's manufacturing base requires a realigning of priorities: the excuse of 'not enough resources' does not hold. Namibia could for example limit non-essential consumption expenditure and redirect it towards the establishment of value chains. The five possible linkages identified by the AMV, namely, revenue linkages, backward linkages (supply chains), forward linkages (value addition/beneficiation), knowledge and spatial linkages to create new industries associated with mining have hardly been established yet. Namibia should therefore consider placing strategic conditions of local value-addition on mining and fishing licences.
3. **Governance:** Various elements of governance need to be changed to pave the way for developmental interventions. One of them is the strategic and prudent use of resources which must be linked to a governance system that is relatively free of corruption and anchored on accountability to the citizenry – not wealthy clubs of business people. The culture of accountability is yet to take root in Namibia's governance lexicon, and the issue of 'small fish versus big fish' is relevant in characterising the state of corruption, notwithstanding the Anti-Corruption Commission declaring otherwise. High profile cases invariably drag on for a very long time (or never take off), creating the impression that the politically well-connected are untouchable. Similarly, the issue of misplaced priorities was recently illuminated by the mooted plans to construct a new parliament building, a new office for the prime minister and a luxury hospital for the army and the elite. Developmental and people-centred budgeting would have to set other priorities.
- Governance changes would also have to include a system of appointment and promotion based on merit. The time of 'jobs for comrades' has certainly passed if Namibia wants to create the administrative capacity for developmental interventions. The constant recycling of administrators and politicians who failed to deliver in their respective ministries – sometimes for decades – needs to come to an end. This is not merely a question of education and training but also one of a changing ethics to achieve measurable delivery targets. This has been mooted repeatedly by government without any visible signs of success.

- Governance, however, also requires broader avenues of participatory democratic participation, which Namibia does not provide at present. Countries like Venezuela have shown that a broadening of democracy requires structures that can accommodate the poor outside the formal structures of representative democracy. Venezuela's community councils under the Chavez government are instructive in this regard. But Namibia will need to find its own model, and this will be a longer term project as there is currently very little pressure from below. Trade unions and civil society organisations do not systematically challenge the status quo. Thus, there are questions regarding the agents of change who could possibly lead the process of deepening democracy as part of building a democratic developmental state.

4. *Housing and water:* The current mass housing project represents perhaps the single biggest opportunity for a significant developmental intervention. Based on the premise that housing and access to water are critical human rights, the state has an obligation to translate these rights into reality. The lack of adequate housing has been a challenge for many years and as property prices were left to market forces they are now out of reach of the vast majority of income earners. During the first phase of the Mass Housing Programme, community participation, the provision of rental accommodation and the use of local building materials were neglected; they need to take centre-stage in the second phase. The experiences with TIPEEG have shown that it will not suffice to just make large sums of money available; the funds have to be used in a strategic and well thought out manner to have a lasting impact. In the case of housing, a decision needs to be made to regard housing as a basic human need and not as a lucrative investment opportunity for the local and international elites.

- The envisaged construction of 180,000 houses should not only have a significant impact on the creation of many thousands of new and decent jobs, but should also lead to the establishment of local supply chains from which building materials should be sourced. Furthermore, the housing project should be accompanied by a roll-out of solar panels which in turn should be locally manufactured to optimise the multiplier effect. Also, the housing project needs to have an educational component to improve skills associated with the construction and maintenance of houses. This, however, cannot be achieved if the houses are merely put out to tender by companies that operate in the usual way, sourcing materials that are largely imported and sometimes

even resorting to imported labour.

- Similarly, access to water must be regarded as a basic human right – water privatisation flies in the face of the principles of state policy and is inimical to the promotion of the welfare of the people. The state must take it upon itself to provide water to meet the basic needs of people, including those who are not able to buy water at market rates. Charges should be levied on those who use water beyond what is necessary and in large quantities. Mining and other companies requiring large amounts of water need to be made to pay higher tariffs, or to use desalination plants.
5. *Substantive gender equality:* The achievement of substantive gender equality has to be a central component of a democratic developmental state. Although Namibia has made significant progress in terms of the legal and policy environment, including the 50-50 representation on all structures of the ruling SWAPO party, patriarchal cultures and attitudes are still widespread. A focus of all policies must, therefore, be to lift women out of poverty and to liberate them from the trappings of inequality. Poverty and inequality have a severe and disproportionate impact on Namibian women, whose work in the home and the workplace tends to be undervalued. They often work longer hours than men in low-wage jobs, under poor conditions, and they are the providers of unpaid family labour. Many still suffer under patriarchal traditions and their prospects for improving their quality of life remain poor. Gender equality can only be achieved if the structural impediments that limit the economic and social emancipation of women are systematically addressed.

There are of course many other changes that need to be effected if Namibia wants to become a democratic developmental state, including a significant and visible improvement in the quality of education. Also, the state will need to build consensus on the need for systematic redistribution to address the prevailing levels of income inequality. The introduction of a universal basic income grant as an economic right of citizens could be a significant first step to signal that Namibia is determined to break the shackles of poverty and to kick-start local economic and social development processes such as has happened during the pilot phase in Otjivero. A national basic income grant will have a substantial impact but still needs to be supplemented by further redistributive changes as discussed in this chapter. There is little doubt that such changes will be opposed by vested elite interests, and so they will require political pressure from below as well as a responsive political leadership bold enough to take decisive steps.

Finally, turning Namibia into a democratic developmental state would also require a change in the prevailing political culture and values. Not only political parties but also many NGOs are characterised by hierarchical political cultures that discourage critical thinking and debate. Greater political openness, the encouragement of new ideas and critical reflection, and the promotion of collective values of sharing and redistribution are prerequisites for changing from the ‘politics of the belly’ to developmental interventions and social justice.

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TOWARDS A TRANSFORMATIVE DEMOCRATIC
DEVELOPMENTAL STATE IN ZIMBABWE –
THE COMPLEX JOURNEY

Jesimen T. Chipika and Joyce A. Malaba

INTRODUCTION

Zimbabwe's historical processes of systematic disempowerment of the majority black indigenous people through dispossession of land for both agricultural and mining purposes, and livestock, as well as marginalisation and exclusion, for nearly a century from 1889 to 1979, undermined social reproduction (Arrighi et al., 2010). Like other countries in the sub-region, Zimbabwe inherited a special type of social formation in which the capitalist sector of the economy was grafted onto pre-capitalist forms of production in a distorted manner (Mhone, 1997, 2004). This kind of capitalism did not transform the economy as a whole but only a small formal enclave sector, thus, creating pervasive economic and social dualism which has consistently undermined dynamic growth and development.

In 2011, the formal sector in Zimbabwe accounted for only 16% of the employed population aged 15 years and above, with the non-formal sectors accounting for the remaining 84% (communal and resettlement farmers – 74%; informal sector – 10%) (ZIMSTAT, 2011). In 2014, the informal sector increased to 13.7% (ZIMSTAT, 2014). It is of great concern that informality in employment is very high as the proportion of the total employed population aged 15 years and above in informal employment increased from 84.2% in 2011 to 94.5% in 2014 (ibid.). Underemployment remains a major challenge, particularly in rural areas.

In 2014, own account workers (communal, resettlement and peri-urban farmers) contributed the highest share of 58.7% to underemployed persons, followed by own account workers (other) with 27.3%, giving a total share of 86% from these two groups alone.

Black women fared the worst in this entire historical context, as they experienced socio-economic double discrimination both as blacks and as women, under a strong patriarchal system. This made them more vulnerable to poverty as they were largely left behind to eke out a living in the marginalised rural areas under the dualistic model of development, and later to the HIV epidemic which hit the sub-region in the mid-1980s. As Palmer and Parsons (1977: 4-5) observed:

... elements of the pre-capitalist systems were deliberately permitted to survive under capitalism... between the first decade of the twentieth century in the south and the third decade in the north of our region, there were created variations of the 'dual economy' which kept African families split but constantly moving between rural and urban 'reserves' or settler estates.

This historical context underlies the triple crisis of poverty, inequality and under-employment being experienced in Zimbabwe and southern Africa in general. Zimbabwe with a gross national income (GNI) per capita of \$650 in 2012 falls in the low income category¹ together with five other Southern African countries, namely Tanzania, Mozambique, Madagascar, Malawi and the Democratic Republic of Congo (DRC).² Poverty remains high and largely structural in nature, with income inequalities as measured by the Gini coefficient³ also high but declining. The poverty hardships in Zimbabwe have been compounded and further complicated by the HIV and AIDS epidemic. HIV prevalence in Zimbabwe, although declining, continues to be unacceptably high at 15% among adults 15-49 years of age in 2010/11 (ZIMSTAT and ICF, 2012).⁴ Southern Africa remains the epicentre of HIV and AIDS with HIV prevalence still recording double-digit percentages in most countries. In addition, climatic changes resulting in droughts and floods, natural resource degradation and gender inequalities, are also causing

1 Each year on July 1, The World Bank revises the classification of the world's economies based on estimates of gross national income (GNI) per capita for the previous year. The updated GNI per capita estimates are also used as input to the Bank's operational classification of economies, which determines their lending eligibility. As of 1 July 2013, the World Bank income classifications by GNI per capita are as follows: low income: \$1,035 or less; lower middle income: \$1,036 to \$4,085; upper middle income: \$4,086 to \$12,615; high income: \$12,616 or more.

2 GNI per capita 2012 - Tanzania (\$ 570); Mozambique (\$510); Madagascar (\$430); Malawi (\$320) and DRC (\$230).

3 Zimbabwe Poverty, Income, Consumption and Expenditure Survey (PICES) 2011/12 – income Gini decreased from 0.50 in 1995, to 0.49 in 2001, to 0.42 in 2011/12.

4 The decline was partly attributed to successful implementation of prevention strategies (i.e. significant changes in sexual behavior) and high mortality due to the low antiretroviral therapy (ART) coverage of less than 5% between 1999 and 2006.

or fuelling poverty (SADC Secretariat, 2010).

Even though notable progress has been made to date on governance issues in Zimbabwe, there are various areas of political, economic, corporate and institutional governance challenges which remain and underlie the poverty context of the country. It is equally important to acknowledge that poverty in Zimbabwe is also being generated in a broader international context characterised by the forces of globalisation in which developing countries are generally marginalised (SADC Secretariat, 2010). Specifically for Zimbabwe, the imposition of unilateral sanctions since 2001, including the disengagement between Zimbabwe and the multilateral organisations and the West, also fuelled poverty.

It is important to highlight that the land question in Zimbabwe remains central in understanding the nature of the state in relation to addressing the critical national issues of broad-based development, social inclusion, national integration, and substantive democratisation in both the political and economic spheres (Moyo and Yeros, 2009). The government's land redistribution programme is perhaps the most crucial and most bitterly contested political issue in Zimbabwe. It can be divided into two phases: from 1979 to 2000, where the principle of 'willing buyer, willing seller' was unsuccessfully applied, and secondly, beginning in 2000, the Fast Track Land Reform Programme (FTLRP) whose objective was to alter the racial balance of land ownership in favour of the previously disadvantaged majority.

There is no doubt that, the emergent state in 1980 was systematically diverted from this central agenda under the 1979 Lancaster House Agreement with its insistence on a land reform based on the 'willing buyer, willing seller' principle. In addition, the adoption of the neo-liberal free-market growth model in the form of the Economic Structural Adjustment Programme (ESAP), 1991-1995 – which reversed particularly, the social achievements of the first decade of independence – and its subsequent influence beyond 1995, significantly suppressed the land question in the second decade. Following the non-delivery of the economic reform model, in 1999, Zimbabwe spontaneously, found itself going back to the core transformative agenda mainly around the equity issues of land and minerals. In this regard, the land invasions/occupations became the Fast Track Land Reform Programme in 2000, and the 'Revised Policy Framework for the Indigenisation of the Economy, 2004', whose main objectives were to ensure democratisation of the major means of production and broad-based economic empowerment, was adopted. Unfortunately, this endeavour for self-determination, against the backdrop of alleged human rights abuses in relation to governance challenges during this period, and lack of rule of law in the country, encountered a backlash in the form of donor disengagement and severe unilateral economic sanctions by

the USA, the EU, Australia and Canada, among others, which subsequently crippled the Zimbabwean economy during the decade 1999-2008. As the economic meltdown took its toll between 2000 and 2008, the government resorted to more knee-jerk reactive policies, which took a short-term focus.

Even though government took land acquisition to a higher political profile under the FTLRP, and acted to transfer and place beneficiaries (indigenous people) on the land, this was done with minimum support for production leading to a near collapse of the agricultural sector (World Bank, 2006). According to Moyo and Yeros (2011), Zimbabwe's FTLRP represents the only instance of radical redistributive land reforms since the end of the Cold War. It reversed the racially-skewed agrarian structure and discriminatory land tenures inherited from colonial rule, transferring 96% of agricultural land into the hands of indigenous Zimbabweans (Government of Zimbabwe, 2009). The successful redistribution of wealth ushered in by the FTLRP places Zimbabwe at the forefront of an emergent nationalism in the South, which is still poorly understood (Moyo and Yeros, 2011).⁵

The land reform also radicalised the state towards a nationalist, introverted accumulation strategy, against a broad array of unilateral Western sanctions. It is important to note that, internally, though, the sanctions had been called upon by the opposition Movement for Democratic Change (MDC), citing alleged violations of human and property rights and political violence, and also arguing that the land reform was done largely for political mileage by the ruling party. Most white farmers whose land was being taken over and farm workers who were subsequently losing their jobs were also in favour of the sanctions.

The fact that the Zimbabwe case has not been recognised as vanguard nationalism has much to do with the 'intellectual structural adjustment' which has accompanied neo-liberalism and a hostile media campaign (Moyo and Yeros, 2005b). This has entailed dubious theories of 'neopatrimonialism', which reduce African politics and the state to endemic 'corruption', 'patronage' and 'tribalism', while overstating the virtues of neo-liberal good governance (deGrassi, 2008; Olukoshi, 2011; Mkandawire, 2012). Zimbabwe's land reform has had a bad international press, dominated by images of chaos, destruction and violence, whilst underplaying the important successes such as equality in the ownership of a major means of production (Scoones et al., 2010).⁶ Under this racist repertoire,

5 According to Altieri and Funes-Monzote (2012), the only other major case of substantial redistribution and economic re-orientation of recent years, though under very different political conditions, has been that of Cuba.

6 Such research and media reports have mostly focused on the 'victims' of the land reform (for example, former land owners and farm workers), to the neglect of the views and experiences of key actors within and protagonists of the FTLRP (such as the land occupiers, land beneficiaries,

it has been impossible to see class politics, mass mobilisation and resistance, let alone believe that something progressive can occur in Africa (Mandaza, 1986; Saul, 2005). However, the FTLRP is most likely to be remembered as the culmination of the anti-colonial struggle, despite the liberal democratic deficit and economic policy contradictions that accompanied it (Mamdani, 2008). Despite the notable casualties during the period, land reform itself has created the social and economic foundation and potential for broad-based transformative development and democratisation of key means of production. New forms of rural mobilisation and accumulation are promising in this regard.⁷

The search for a democratic developmental state (DDS) in Zimbabwe in the twenty-first century to address the critical national issues of broad-based transformative development, social inclusion, national integration, and substantive democratisation in both the political and economic spheres, presented in this chapter, is therefore centred on the historical land question in Zimbabwe, including the unprecedented FTLRP. In this regard, therefore, whilst the state may be assessed as not satisfying the social inclusion and national integration aspects of a DDS, it nonetheless achieved substantive transformation and economic democratisation by reclaiming agricultural land.

The chapter assesses the progress towards a transformative DDS in Zimbabwe's 'complex journey from dispossession to repossession', using the six stages of Zimbabwe's history as follows:

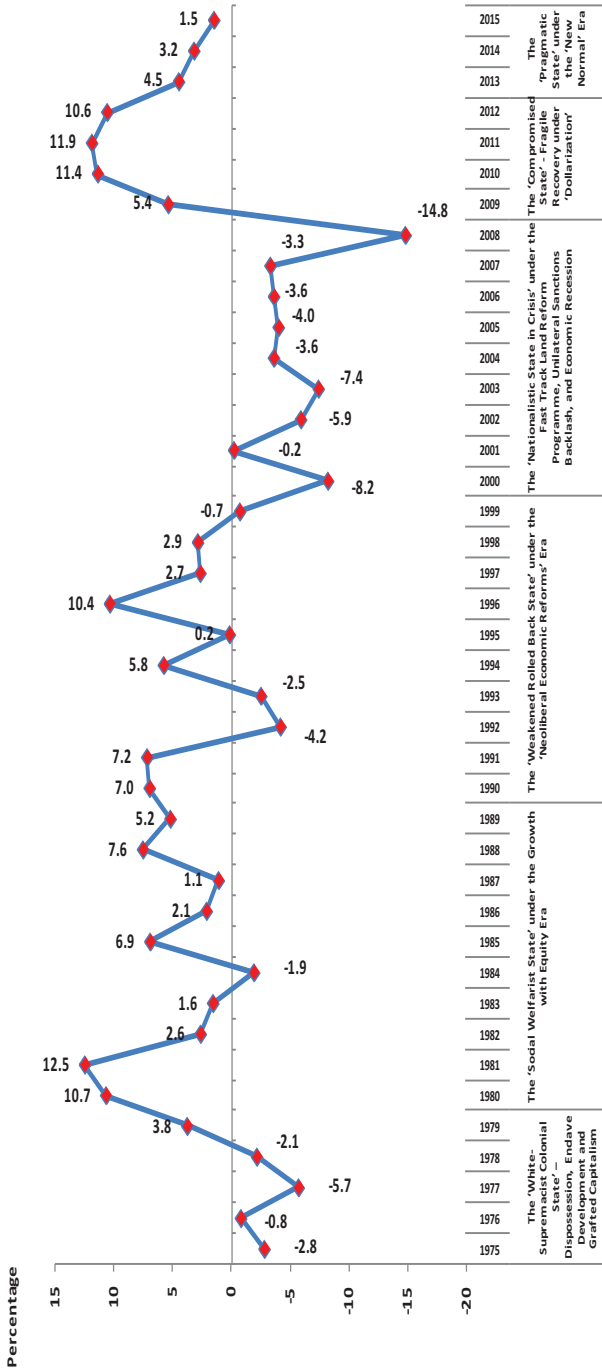
- i. Before 1980: The *White-Supremacist Colonial State* – Dispossession, Enclave Development and Grafted Capitalism;
- ii. 1980-1989: The *Social Welfarist State* at Independence;
- iii. 1990-1999: The *Weakened Rolled Back State* under the 'Neoliberal Economic Reforms' Era;
- iv. 2000-2008: The *Nationalistic State in Crisis* under the FTLRP, Unilateral Sanctions Backlash and Economic Recession;
- v. 2009-2013: The *Compromise State* - Fragile Recovery under 'Dollarisation'; and
- vi. July 2013-October 2015: The *Pragmatic State*.

Figure 6.1, which will be used throughout the analysis in this chapter, shows the annual real GDP growth rate during these historical development stages. Since 1975, annual real GDP growth rate was at its highest, 12.5%, in 1981 and at its lowest, -14.8%, at the end of the economic recession period in 2008.

former and new farm workers and war veterans, among others), as well as of local and central state officials, local (NGOs) engaged with the FTLRP and the key actors in agribusiness (Cliffe et al., 2011; Hungwe, 2011; Chiweshe, 2012).

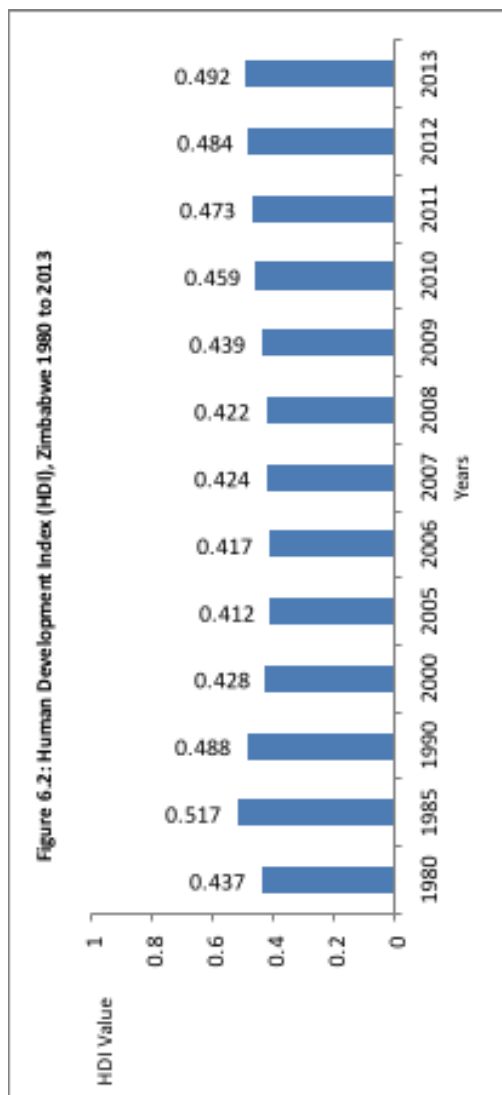
⁷ Moyo and Chambati, 2013.

Figure 6.1: Annual Real Gross Domestic Product (GDP) Growth Rate, Percentage, Zimbabwe 1975-2015



Source: Reserve Bank of Zimbabwe, 2015 (Data).

Figure 6.2 presents the corresponding human development trend since 1980, which shows that Zimbabwe has remained in the low human development category.⁸ The Human Development Index⁹ (HDI) rose during the first five years of independence, declining throughout the ESAP era, and reaching its lowest in the recession decade, before improving again under the current recovery phase.



Source: United Nations Development Programme (UNDP), Human Development Report (HDR), Database 2014.

8 HDI above 0.900 is very high, 0.800 to 0.899 is high, 0.500 - <0.800 is medium and 0 - <0.500 is low human development.

9 The human development index (HDI), 2010 , (new), has three dimensions: Health, as measured by life expectancy at birth; Education, as measured by mean years of schooling for adults aged 25 years and expected years of schooling for children of school going age; and Living standards, as measured by gross national income (GNI) per capita.

THE STRUCTURAL ROOTS OF POVERTY, INEQUALITY, AND UNDER-EMPLOYMENT

BEFORE 1980: THE 'WHITE-SUPREMACIST COLONIAL STATE' – DISPOSSESSION, ENCLAVE DEVELOPMENT AND GRAFTED CAPITALISM

The history of dispossession in Zimbabwe can be traced back to the Rudd Concession, a written concession for exclusive mining rights in Matabeleland, Mashonaland and other adjoining territories, which was granted by King Lobengula of Matabeleland to Charles Rudd, James Rochfort Maguire and Francis Thompson, three agents acting on behalf of the South African-based politician and businessman Cecil John Rhodes, on 30 October 1888.¹⁰ The Rudd Concession reads in part as follows:

I, Lobengula, King of Matabeleland, Mashonaland and certain adjoining territories in the exercise of my sovereign powers, and in the presence and with the consent of my council of indunas, do hereby grant and assign unto the said grantees, their heirs, representatives and assigns, jointly and severally, the complete and exclusive charge over all metals and minerals situated and contained in my kingdoms, principalities, and dominions, together with full power to do all things that they may deem necessary to win and procure the same, and to hold, collect, and enjoy the profits and revenues, if any, derivable from the said metals and minerals, subject to the aforesaid payments. (The Rudd Concession, 13 October 1888)¹¹

The Rudd Concession was, by its nature, highly fraudulent, undemocratic and anti-developmental. As a result, the Shona staged unsuccessful revolts known as the 'First Chimurenga', against encroachment upon their lands by clients of the British South Africa Company (BSAC) and Cecil John Rhodes in 1896 and 1897. Following these failed insurrections, the Ndebele and Shona groups became subject to Rhodes's administration, thus precipitating European settlement en masse which led to land redistribution disproportionately favouring white settlers, displacing the Shona, Ndebele, and other indigenous people.

Following Ian Smith's Unilateral Declaration of Independence (UDI) from the United Kingdom on 11 November 1965, the UN imposed sanctions on the country in December 1966.¹² This was yet another illustration of an undemocratic

10 The Chief would also get: 'One hundred British pounds payable to him each month, along with 1,000 Martini-Henry rifles and 100,000 bullets as well as a steam gunboat which the British have to put on the Zambezi river (hundreds of miles from the coast I might add – which is no mean feat – since they would have to bring it using ox wagons)'.

11 Despite Lobengula's retrospective attempts to disown it, it became the foundation for the royal charter granted by the United Kingdom to Rhodes' British South Africa Company (BSAC) in October 1889, and thereafter for the Pioneer Column's occupation of Mashonaland in 1890, which marked the beginning of white settlement, administration and development in the country that eventually became Rhodesia in 1895.

12 Although Smith's declaration was not recognised by the United Kingdom nor any other

colonial state, without national cohesion and integration. The sanctions obliged Rhodesian industry to diversify and create many import-substitution undertakings, characterised by oligopolistic structures, foreign ownership of companies, and high levels of regulation and control, to compensate for loss of traditional sources of imports. When Mozambique severed economic ties, the Ian Smith regime was forced to depend on South Africa for access to the outside world.

A civil war ensued, with Joshua Nkomo's Zimbabwe African People's Union (ZAPU) and Robert Mugabe's Zimbabwe African National Union (ZANU), using assistance from the governments of Zambia and Mozambique, respectively. At the centre of the nationalist movement were the issues of self-rule, reclaiming land, removal of the colonial racial discriminatory social policies (health and education), and general improvement of wellbeing for the majority black population. Several undemocratic elections were held during the pre-colonial era, 1964-1979, with insignificant participation of the black majority.¹³

Following colonisation in the late-nineteenth century, Zimbabwe was integrated subordinately into the world capitalist system, mainly through the settler colonial mode of political rule and social relations of production, based largely on unequal and repressive agrarian relations which defined the character of the state. Land dispossession and extra-economic regulation and taxes turned Zimbabwe into a labour reserve economy, reliant on cheap domestic and foreign migrant labour, while repressing the peasantry and small-scale rural industry and commerce, without creating full scale proletarianisation (Amin, 1972; Arrighi, 1973; Bush and Cliffe et al., 1984; Weiner, 1988; Yeros, 2002).

After self-government was granted in 1923, the Southern Rhodesia House of Assembly created a framework for the allocation of land. The Land Apportionment Act of 1930 divided the colony's land into three areas characterised by race and tribe: zones where white, Shona or Ndebele could own property; and zones which were held in trust for indigenous peoples on a collective basis, called Tribal Trust Lands (TTLs) as per the 1965 statute, which became Communal Areas (CAs) as per 1981 statute. One effect of the apportionment was that most black families were moved from land they had held for generations. The Land Apportionment Act of 1930 formed the basis for subsequent laws and continued in effect until independence.

The outcome of the Act was an agricultural sector consisting of three sub-sectors: large-scale commercial farming (LSCF), small-scale commercial farming

power, Southern Rhodesia dropped the designation 'Southern', and claimed nation status as the Republic of Rhodesia in 1970.

13 5 November 1964 (Referendum); 7 May 1965 (Legislative); 20 June 1969 (Referendum); 10 April 1970 (Legislative); 31 July 1974 (Legislative); 31 August 1977 (Legislative); 30 January 1979 (Referendum); and April, 1979 (Legislative: House of Assembly).

(SSCF) and the communal sector (see Table 6.1). At independence, about 57% of the black population (800,000 families) lived in the communal areas and occupied 16.5 million hectares of land (42%), of which 75% was in areas unsuitable for intensive arable farming, in natural regions IV and V. An additional 8,000 black families occupied 1.6 million hectares (4%) in the former African Purchase Lands (now called SSCFs), with a larger proportion of this land in the drier natural regions IV and V. In contrast, about 6,000 white farmers owned about 15.5 million hectares (40%) of prime agricultural land, mainly in the high agriculture potential natural regions I, II and III.

Table 6.1: Land Apportionment by Natural Region and Farming Sector, Zimbabwe 1980

Sector	Agro-ecological regions ('000 hectares)						
	I	II	III	IV	V	Total Area	Total, % of total land area
Large Scale Commercial Farming Land (LSCF)	442.7	4 308	3 244.1	3 777.2	3 652.4	15 424.4	39.5
Small Scale Commercial Farming Land (SSCF)	7.3	252	535.9	522.8	97.6	1 415.6	3.6
Communal Land	135	1 270	2 820	7 340	4 790	16 355	41.9
Parks and Wildlife	50	25	545	2 510	1 840	4 970	12.7
Forest Land	70	2	145	620	70	907	2.3
Totals	705	5 857	7 290	14 770	10 450	39 072	100.0
<i>Source: World Bank, 2006</i>							

Commercial farming benefited from training support, grants, loan guarantee schemes and funding for agricultural research, all of which enabled the commercial farming sector and the economy and secondary agricultural industries to flourish. Rural road building programmes serviced European farming areas.¹⁴ During the colonial era, various stringent dispossession laws¹⁵ were enacted in

14 To his credit, the government of Garfield Todd in the 1950s made attempts to address the problems associated with the different ways of 'understanding' land ownership by introducing farming ideas within traditional chieftain lands and tried to encourage farming projects and an understanding of the system of land tenure in the tribal lands.

15 These included: Rudd Concession, 1888; The Lippert Concession of 1889; Charter to the British South Africa Company (BSAC), 29 October 1889; The Native Reserves Order in Council (1898); Land Apportionment Act of 1930; Companies Act No. 47 of 1951; Factory Act No. 20 of 1948; Native Land Husbandry Act 1951; The Tribal Trust lands (TTL) Act of 1965; Public Health Act No. 19 of 1924 [Chapter 328]; Urban Councils and Regional, Town and Country Planning Acts [Act 22/1976]; Liquor Act No. 9 of 1984; Food and Food Standards Act No. 25 of 1971 [Chapter 321]; Kaffir Beer Act 1936; Second Hand Goods Act No. 25 of 1956 [Chapter 293]; Customs and Excise Act No. 16 of 1955 [Chapter 117]; Law and Order Maintenance Act, (LOMA), 1960; Income Tax Act No. 5 of 1967 [Chapter 181]; and Lancaster House Conference: (The Land Debate, 1979);

order to bar black entrepreneurs from participating in the mainstream of the economy.

With regards to the labour sector, it often suited colonial administrations to maintain some type of 'traditional' legal institutions and authority through which to rule, as 'transformation' to a more 'modern' alternative could be costly and have unforeseen and undesirable outcomes. Thus, indigenous pressures for 'modernisation' in these respects were often actively discouraged or prohibited. Overall, long-term or permanent urbanisation was discouraged as it was perceived to be both politically and economically disadvantageous for the colonial state, leading to restrictive housing and labour policies.

The means used to mobilise labour force were numerous, and included: the following: the imposition of taxes; restricted access to land; forms of indebtedness linked to working on mines, plantations or estates; forms of forced labour, or 'chibaro'; legal discrimination in the allocation of provisions and grants in the form of implements, seeds and agrarian assistance which were only for the white capitalist agriculture; and a discriminatory price policy for the sale of African produce. This colonial background underpinned the general characteristics of the Zimbabwean labour force, which was largely was educated to become employees and not employers/entrepreneurs. The result was a process of 'semi-proletarianisation' in which the capitalists paid only the cost of maintenance of labour force (one person living wage in town or in a compound), while they outsourced the costs of renewal of the labour force to the rural household (on the labour of the women) (Palmer and Parsons, 1983). While all this repression was taking place in the black Zimbabwean male labour force, most females were left behind in the rural subsistence agricultural sector, with a few migrating to urban areas to work as private domestic workers for the whites or prostitutes of the male migrants. The few women who passed through the colonial bottleneck education system, worked as teachers, nurses or office secretaries, typists, and personal assistants.

In relation to social exclusion, the colonial period saw the introduction of European type education systems into Zimbabwe and Southern Africa in general under the controlled 'bottleneck' system.¹⁶ There were different curricula for European, Coloured and African schools, including different pay structures, with black teachers not qualifying for government pensions. During the colonial era,

among others.

16 The majority of mission village primary schools were very poorly resourced and only gave children the basics of literacy and numeracy, initially up to the current equivalent of Grade 3 or Grade 5, as well as religious instruction. In addition, the colonial state subsidised mission and other schools and also established a small number of state schools for Africans. However, the resources allocated to schools for Africans were far inferior to those allocated to the schools for the children of the white settlers.

very few women had access to education and the vast majority of African children did not attend any school at all. Most schools gave African children some of the skills required by low-level labourers in the colonial economy without providing higher-level skills training.¹⁷ There were sharp differences between the levels and quality of urban and rural health services, with the former being generally better resourced than the latter (Moyo and Chambati, 2013). The economic and social re-engineering of the colonial century reinforced by patriarchy, created fertile ground for the spread of HIV, and also created a structural template for the socio-economic marginalisation of women.

STATE INTERVENTIONS AFTER INDEPENDENCE

1980-1989: THE 'SOCIAL WELFARIST STATE' AT INDEPENDENCE

Zimbabwe's independence on 18 April 1980 was a culmination of the Lancaster House Agreement, which negotiated a ceasefire and paved the way for political democracy. The February 1980 elections were won by Robert Mugabe and ZANU-PF. The three-month long Lancaster House conference nearly failed over the land issue. The Declaration of Rights that forms part of the Agreement and that was entrenched in the constitution for ten years included a carefully worded section allowing the compulsory purchase of under-occupied land for resettlement purposes. In effect, the Lancaster House Agreement required the new government to wait for ten years before instituting significant land reform. Three sets of elections were held in the first decade of independence, in 1980, 1985 and 1987.¹⁸

Soon after independence, the new state in Zimbabwe was well engaged with the international community. The British agreed after independence to help fund land reform on a 'willing buyer, willing seller' principle, meeting 50% of the costs of land purchase and of the investments (water, schools, clinics, etc.) required to convert large commercial farms into viable resettlement areas for peasant or communal farming.¹⁹ In 1981, the new government organised the Zimbabwe Conference on Reconstruction and Development, in which more than £630 million of aid was pledged. Only a small share of this was used to finance land

17 A striking example of this thinking is given by the then Minister of Native Affairs, Dr. Hendrik F. Verwoed, in explaining the government's new education policy as outlined in the 1953 Bantu Education Act to the South African Parliament. He stated that:

'There is no space for him (the 'Native') in the European Community above certain forms of labour. For this reason, it is of no avail for him to receive training which has its aim in the absorption of the European Community, where he cannot be absorbed. Until now he has been subjected to a school system which drew him away from his community and misled him by showing him the greener pastures of European Society where he is not allowed to graze.'

18 1980 (Legislative: House of Assembly); 1985 (Legislative: House of Assembly); and 1987 (Executive President appointed by Parliament).

19 Between 1980 and 2000 Britain provided a total of £44 million to the government for land resettlement projects.

resettlement.²⁰

In 1981, the Communal Land Act shifted authority over these lands from traditional rulers to local authorities and changed the designation from Tribal Trust Lands (TTLs) into Communal Areas (CAs). The 1985 Land Acquisition Act, though drawn in the spirit of the 1979 Lancaster House 'willing buyer, willing seller', gave the government the first right to purchase excess land for redistribution to the landless. However, the Act had a limited impact, largely because the government did not have the foreign currency to compensate landowners. In addition, white farmers mounted a vigorous opposition to the Act, and because of the 'willing buyer, willing seller' clause, the government was powerless in the face of such resistance.

On the political front, the new fragile state soon found itself on the verge of national disintegration, as ethnic divisions returned to the forefront of national politics. In 1982 state security discovered large caches of arms and ammunition on properties owned by PF-ZAPU, resulting in accusations against Joshua Nkomo and his followers of plotting to overthrow the government. Mugabe removed Nkomo and his closest aides from the Cabinet. As a result of what they saw as persecution of Nkomo and his party, PF-ZAPU army deserters began a campaign of dissidence against the government which continued through to 1987.²¹ In 1983 and 1984, the government sent to Matabeleland, the North Korean-trained army brigade, commonly known as 'Gukuruhundi' (strong wind),²² to quell the dissident uprising by force. It has been argued that the state's response to the whole dissident problem, could have been more democratic and reconciliatory, utilising more dialogue than military force. In addition to these internal problems, external problems included the military aggression from a hostile South Africa and the Mozambican National Resistance insurgency in Mozambique.

ZANU-PF increased its majority in the 1985 elections, winning 67 of the 100 seats. The majority gave ZANU-PF the opportunity to start making changes to the constitution, including those with regard to land restoration. Dissident activities did not cease until Mugabe and Nkomo reached a Unity Agreement in December, 1987, whereby PF-ZAPU became part of ZANU-PF and the government changed the constitution to make Mugabe the country's first executive president

20 Despite lobbying by the British government, no other donor was willing to help finance the purchase of land and only the African Development Bank (AfDB), European Union (EU) and Kuwait Fund were willing to pay for the other investments required by the new settlers.

21 Joshua Nkomo fled the country and went into exile in Britain and did not return until Mugabe guaranteed his safety. Given the unsettled security situation immediately after independence, the government kept in force a state of emergency, under the Law and Order Maintenance Act, (LOMA), 1960.

22 This campaign against dissident uprisings was alleged to have caused the death of at least 20 000 civilians.

and Nkomo one of two vice-presidents.

Although the Zimbabwean economy at independence was semi-industrialised, it remained in a disarticulated pattern of accumulation. Agriculture contributed about 20% of GDP and 40% of exports and employed 70% of the workforce (Stoneman and Cliffe, 1989; Yeros, 2002). The essentially bimodal agrarian structure involving large-scale farms and marginal small capitalist and peasant farms was tied to industrial interests wholly-owned by the local white minority and foreign capital. Individual white settlers held average land sizes of 2 000 hectares, while foreign and domestic agro-industrial estates (plantations) held average landholdings well above 5,000 hectares, compared with average communal sector holdings of two hectares or less per household.

The new government had its revolutionary roots in the then Eastern bloc state-driven development paradigms, and adopted a central planning development model. In this regard, the 1981 Growth with Equity framework²³ was formulated as the 'vision' of the new country. In an attempt to operationalise this vision, two national development plans were formulated and implemented during the first decade, the Transitional National Development Plan, 1982/83-1984/85, and the First Five Year National Development Plan, 1986-1990. The broader national objectives outlined in the TNDP were to establish a society 'founded on socialist, democratic and egalitarian principles' and to end 'imperialist exploitation through more equitable Zimbabwean ownership of the means of production'. The First Five Year NDP sought to achieve rapid economic growth, improve standards of living of the entire population and economically empower the indigenous populace.

A lack of institutional implementation capacity played a significant role in the demise of the Growth with Equity policy, and the accompanying NDPs (BCZ, 2011). Kavran (1989) highlighted the perception that the professionalism of civil service had been eroded.²⁴ He deplored an increase in petty and systemic corruption, as public officials were observed engaging in illegal private activities in order to supplement their meagre incomes.²⁵ From a developmental state point of

23 The objectives of the Growth with Equity framework included the establishment of a socialist society, attainment of rapid economic growth, balanced development and equitable distribution of economic resources, development of human resources and fiscal and monetary reform.

24 According to Kavran (1989), the public administration at that time could be described as follows: (i) a lack of performance management culture; (ii) arrogance and poor attitudes to work; (iii) high staff turnover; (iv) a bloated, centralised and secretive bureaucracy that was non-transparent, suffered poor communication of decisions and was inaccessible to the public; and (v) institutional overlap and duplication of functions both within and across ministries, combined with cumbersome and overly complex rules and regulations.

25 Public offices became marketplaces, where officials sold goods such as vegetables, meat, bread and trinkets, and services, such as the issuing of licenses, passports, placements for nurse or teacher training, and entrance to tertiary institutions, to candidates with inappropriate qual-

view, what is important from a governance perspective is the extent to which the state exercises embedded autonomy with a professional bureaucracy, and in this regard, the new Zimbabwe state fell short. According to Stoneman (1988), the major criticism, which undermined the developmental thrust of planning during this decade, was the focus on targets (the end) and not the strategy (the means). Moreover, there was a disconnect between medium-term planning and annual planning and implementation through the national budget. Hence, the plan targets were missed.

While the TNDP achieved commendable success in the social sectors, economic growth remained subdued, falling short of the target of 8%, largely due to low investment levels in the productive sectors, the world recession and a severe drought in the 1983/84 agricultural season. The TNDP failed to address critical issues such as land redistribution, broad-based economic empowerment, product beneficiation and fiscal restraint, among others. The first five-year NDP, 1986-1990, was formulated against the background of poor economic performance during the period 1980 to 1985 characterised by low GDP growth, rising inflation and budget deficits, and escalating domestic and external debt. In addition, increased public expenditure on redressing social inequalities resulted in limited resources being available for productive public investment. As a result, budget deficits remained higher than the targeted levels during the NDP period, leading to high inflation. Low savings and investment also impacted negatively on the performance of the economy and unemployment remained high.

Initially, the government followed a corporatist model (including large state-owned enterprises and transnational corporations), with strict governmental controls over all aspects of the economy. Controls were placed on wages and prices and there were massive increases in government spending resulting in significant budget deficits. These policies were largely a colonial relic – the state already owned utilities and agricultural marketing agencies, and the new government added to this by buying out more private companies. The government also extended existing protectionist policies, and did not encourage – even suppressed – the development of independent new African businesses. After recognising that they were not being given enough space and support to exercise their private entrepreneurship, black entrepreneurs organised themselves into an indigenous business lobby group, the Indigenous Business Development Centre (IBDC), in 1990.

It is important to note that the macroeconomic policy framework during this decade remained conservative, especially with the adoption of the stabilisation programme in December, 1982. Persistent balance of payments problems necessi-

tating the continuation of the centralised foreign currency allocation system; the continued pursuit of import substitution, which stood at odds with the export-led growth in East Asian developmental States; commercial borrowing on non-concessionary terms which exacerbated the debt situation; erratic growth; depressed investment and employment creation; all of these made the redistributive social policies of the period unsustainable, leading to the pressure for economic reforms at the end of the decade. For instance, it was observed that a clear industrialisation strategy had not yet emerged in the 1980s. The coordinating capacity of the state still left much to be desired especially in ‘defining and disseminating an ideology of industrialising and industrial programmes, and successfully implementing and co-ordinating them’ (Ndlela, 1986).

Some scholars also highlight the role played by Zimbabwe’s first Minister of Finance, Bernard Chidzero, in stabilising the markets, and ensuring that no radical structural transformation agenda would be implemented. In any case, with the weak bureaucracy, no radical economic agenda was possible. A developmental state should have initiated strong public sector reforms, to prepare the sector for driving the effective implementation of NDPs, and to ensure economic structural transformation, instead of retaining the enclave structure of the economy.

Despite the fact that the state enjoyed a relatively high level of integrity, the period was not without the weevil of economic corruption.²⁶

At the end of the 1980s, it was clear that the ideological model pursued by the country was not going to help solve the core economic problems. For example, the economic growth rate which averaged 3.4% per annum during this first decade was too low to sustain the widespread expansionary policies. New strategies had to be developed to address the economic challenges, and this led the government, towards the end of 1990, to adopt the ESAP in 1991. It is important to note that the main forces behind this paradigm shift were international capital, domestic capital and the multilateral agencies.

The World Bank and IMF, for example, continued to put pressure on government to adopt trade liberalisation. In 1987, the Bank refused to sign an agreement for an extension of the export revolving fund until measures were taken to liberalise trade. The adoption of investment guidelines in April 1989 marked a major shift in government policy. This was followed by the establishment of the Zimbabwe Investment Centre (ZIC) in mid-1989, a move designed to create a ‘one-stop’ investment window. In addition, in a bid to reassure investors, the government signed the World Bank’s Multilateral Investment Guarantee Agency

26 Notable scandals included: the Paweni Grain Import Scandal (1982); National Railways Housing Scandal (1986); Air Zimbabwe Fokker Plane Scandal worth \$100 million (1987); Zisco Steel Blast Furnace Scandal (1987); Willowgate Scandal (1988); ZRP Santana Scandal (1989); among others (Shana, 2006).

Convention (MIGA) in September 1989, and in June 1990, signed the USA's Overseas Private Investment Corporation (OPIC) agreement.

Whilst there was general consensus that reforms were needed to boost depressed investment, streamline inefficient labour regulations, restructure the economy by addressing inefficiencies, promote exports and create employment, the sticking point was the direction and nature of the reforms. As the former Secretary for Finance, Charles Kuwaza observed, ESAP was 'parachuted from Washington', and hence violated a key tenet of successful programming, which is national ownership.

However, Zimbabwe's 'green revolution' of the 1980s, describing the peasant agricultural sector's production and marketing success, has been much hailed, and reflects the developmental nature of the state in terms of attempts at economic inclusiveness in marketing, access to inputs, extension services and credit. The success story was largely the result of the less radical changes to agricultural policy. These included a hastening process of smallholder farmer commercialisation initiated by the state through the following: expanding the Grain Marketing Board (GMB) outlets into communal areas; a favourable pricing policy; increased use of high-yield inputs; expanded agricultural extension services; and improved supply of credit through the Agricultural Finance Corporation (Amin and Chipika, 1994).

Zimbabwe's sustained agricultural success story was internationally recognised in 1988, when President Mugabe received the World Hunger Prize. In addition, during this period, Zimbabwe was appointed to head the Crop Production, Food, Agriculture and Natural Resource Sector of the Southern African Development Coordination Conference (SADCC) formed in 1980, later transformed into the Southern African Development Community (SADC) in 1992. However, this success was mostly in high-potential communal areas, was not widespread and was quickly extinguished following structural adjustment.²⁷

As earlier noted, up until 1990 land redistribution in Zimbabwe was on a state-managed market-based 'willing buyer, willing seller' basis, and primarily targeted landlessness, 'overcrowding' and land shortages among the rural and urban poor and the unemployed (Moyo, 1995), in order to reduce inequality and broaden economic empowerment. The first phase of the Land Redistribution Programme began in 1980, and by 1998 it had redistributed about 3.5 million hectares to 71,000 families from communal areas, well below the initial target

27 For example, 18 out of 170 CAs, which are located in the provinces of Mashonaland West, Mashonaland East and Mashonaland Central, which tend to be in the relatively favourable ecological zones, accounted for the bulk of the maize sales. It was also estimated that the top 20% of CA producers accounted for approximately 50-55% of the total maize harvest, and about 50-60% of the market sales (Rohrbach, 1987; Stanning, 1987).

of 8.3 million hectares to 162,000 families (Government of Zimbabwe, 2009).²⁸ This outcome was largely because the 'willing sellers' were not forthcoming, while at the same time government did not have enough foreign currency to buy land. Other factors included bureaucratic challenges, with several ministries being involved, weak voices for land redistribution while those against it were well organised, including the Zimbabwe Farmers Union (ZFU) which preferred redistribution biased in favour of master farmers with proven farming capability.

On the social front, in order to redress the historical imbalances, the government adopted the policy of education as a basic human right and committed itself to universal and equal educational opportunities for all. During the first two decades of independence, Zimbabwe's education system was regarded as one of the best and strongest in sub-Saharan Africa. The social equity policy saw the expansion of education and training provision which resulted in the number of primary schools increasing by 88% from 2,401 in 1979 to 4,504 in 1989 (Government of Zimbabwe, 2007). Enrolments in primary schools increased from 81,958 to 2,223,171 during the same period. The number of secondary schools increased from 177 in 1979 to 1,502 in 1989 and enrolment increased from 66,215 to 670,615. By the end of the first decade of independence, Zimbabwe had achieved universal primary education.²⁹ The sector expansion efforts during this period were illustrative of a developmental state driving a social inclusion agenda.

At independence, there were wide disparities in the provision of healthcare between rural and urban areas. In line with the distribution of facilities, all categories of health personnel, especially professional grades, were concentrated in the urban areas.³⁰ Zimbabwe's independence saw the ushering in of the primary healthcare approach as expressed in Planning for Equity in Health (Government of Zimbabwe, 1984), which resulted in the integration of the curative and preventive structures in provincial and district health teams.³¹ The adoption of this approach, with its implications for democratising the healthcare system, and identifying health intervention at the broadest level with the active participation of local communities, demanded the direction of new resources towards

28 While government had planned to resettle 162,000 families during the period 1982-84, and 75,000 families during 1986-90, by the mid-1990s, only 52,000 families had been resettled.

29 Zimbabwe National Commission for Unesco, 2001

30 In 1980, there were over 1 138 doctors, 4 652 nurses, 2 897 medical assistants and 393 health assistants. Of the doctors, in 1981, 42% were wholly engaged in private practice, and 80-90% were in Harare or Bulawayo. In 1982 there were 370 doctors in central and general hospitals, 28 in district hospitals, and 42 in mission hospitals.

31 Some of the core health programmes implemented under the PHC included: the Free Health Care; Hospital and Rural Health-Care Building Programme; Zimbabwe Expanded Programme on Immunisation; Diarrhoeal Disease-Control Programme; National Nutrition Programme; National Village Health Worker Programme; and Child Spacing; among others (Loewenson and Sanders, 1988).

previously deprived areas in the improvement of nutrition and the control of preventable diseases. This policy stressed the conscious and active participation of communities in transforming their own health, which is a tenet for a DDS.

Zimbabwe inherited the inequitable distribution of land and water which was exacerbated by a lack of finance to expand water resources development. Priority was given to rural water sanitation and hygiene and significant progress was made in the construction of boreholes, wells and small dams. There was a steady improvement, with over one-third of the communal area population having access to improved water sources during the first decade.

Government's goal was also to achieve housing for all by the year 2000. Post-1980 urbanisation was shaped by a combination of 'rural push' and 'urban pull' factors. The repeal of some of the race-based urban governance policies and practices spurred rural-urban migration and intra-city population movements. Zimbabwe urbanised fastest after 1980, straining most towns because this was not matched by substantial industrialisation and expansion of infrastructure. Some of the new consumers of urban services did not contribute to municipal revenue, limiting available public finance needed to expand infrastructure. The 2012 National Housing Policy, post-independence housing policy emphasised homeownership, signalling a departure from colonial housing policy and practice. Colonial legislation was repealed to de-racialise cities and towns. Although the government made commendable effort to democratise the housing sector, demand continues to outstrip supply, mainly due to the inadequacy of resources (both public and private) going into this sector.

1990-1999: THE 'WEAKENED ROLLED BACK STATE' UNDER THE 'NEOLIBERAL ECONOMIC REFORM' ERA

On the political front, the general election of March 1990 resulted in another overwhelming victory for the ZANU-PF party, which won 117 of the 120 seats, with a voter turnout of 54%. Following the failure of efforts to create a *de jure* one-party state in September, 1990, a move which was highly undemocratic, the government further amended the constitution. The judiciary and human rights advocates fiercely criticised the first amendments enacted in April 1991 because they restored corporal and capital punishment and denied recourse to the courts in cases of compulsory purchase of land by the government. Four elections were held during this era.³²

A development paradigm shift resulted in the adoption of the Economic Structural Adjustment Programme in 1991. This neoclassical package included fiscal restraint, privatisation, the abolition of government intervention in prices, labour

32 23 March, 1990 (Presidential); 23 March, 1990 (Legislative - House of Assembly); 8-9 April, 1995 (Legislative - House of Assembly); and 16-17 March, 1996 (Presidential).

market 'flexibility', cost-recovery in the social sectors, and trade, financial and capital account liberalisation. The objectives included budget deficit reduction, and export-led growth. As part of measures designed to reduce the budget deficit, the civil service wage bill was targeted for reduction from 16.5% of GDP in 1990/91 to 12.9% by 1994/95, through reducing the number of civil servants (excluding health and education) by 25% (23,000 posts) and implementing wage restraint.

During the 1990s, largely because of the ESAP-induced economic and social hardships, students, trade unionists, and other workers often demonstrated to express their discontent with the government.³³ On 9 December 1997, a national strike paralysed the country, with demonstrations by ex-combatants and others. Subsequently, unbudgeted non-taxable large gratuities of Z\$50,000 (about \$2,800) per person, were paid to the war veterans, precipitating events generally referred to as 'Black Friday' on 14 November 1997 when the Zimbabwe dollar lost 71.5% of its value against the US dollar and the stock market crashed, wiping 46% off the value of shares. The discontent spawned draconian crackdowns which in turn started to destroy both the fabric of the state and of society, and made the state more undemocratic. It was also during this time that the background to the political developments of the post-2000 era was established, such as the formation of a strong opposition political party, the MDC, in 1999.

In 1998, Zimbabwe joined the Second Congo War in the DRC in support of Laurent Kabila. As military hardware losses multiplied, Western donors including the IMF and the World Bank placed their aid programmes to Zimbabwe under review. In the same year, the African Development Bank (AfDB) suspended balance of payments support (BoP) to Zimbabwe. In April 2001 a UN panel of experts investigated the illegal exploitation of diamonds, cobalt, coltan, gold and other lucrative resources in the DRC, and its report accused Rwanda, Uganda and Zimbabwe of systematically exploiting them.³⁴ A Stand-By credit of \$193million approved by the IMF on 2 August 1999 was suspended after Zimbabwe had made only one draw-down and failed to meet the agreed performance targets. Consequently, Zimbabwe accumulated arrears on external debt for the first time since independence, marking the beginning of an extended period of disengagement between the country and its international partners.

During the 1990s in particular, Zimbabwe witnessed the emergence of a vibrant civil society. Central to this process was a questioning of the role of the

33 Students protested in 1990 against proposals for an increase in government control of universities and again in 1991 and 1992 when they clashed with police. Trade unionists and workers also criticised the government during this time. In 1992 police prevented trade unionists from holding anti-government demonstrations. In 1994 widespread industrial unrest weakened the economy. In 1996 civil servants, nurses, and junior doctors went on strike over salary issues.

34 United Nations (2001).

state, and the accountability of the ruling party, by civic organisations. This development provided a more enabling environment for tackling the broader issue of human development, especially in terms opening of opening the space for democratic and more inclusive forms of participation. An important part of the advocacy function that civic groups developed in this period was the development of coalitions to campaign around particular issues. These included the Non-State Actors' Forum, to develop optimal ways of institutionalising beneficiary participation in Zimbabwe; the Women and Land Lobby Group, developed to press for a more gender-sensitive land redistribution programme; the Women's Coalition on the Constitution, 'to inform, educate and mobilise women in Zimbabwe in a bid to participate more fully in the constitutional reform process'; and the National Constitutional Assembly, formed in 1998 to initiate a discussion on the constitution and to advocate for constitutional reform, a discussion which culminated in the government establishing a Constitutional Commission whose new constitution was rejected at the referendum of February 2000. Despite efforts by women's organisations³⁵ and government, women remained generally excluded in decision making and political power positions.³⁶ For example, the proportion of parliamentary seats held by women was only 11% in 1990, rising to 14.7% in 1999 (Parliament of Zimbabwe, 2015).

Youths have always been a political force in Zimbabwe, having dominated the War of Liberation cadres, and earlier resistance movements. However, when decisions of national importance were being made, they felt sidelined and were often excluded from economic empowerment programmes. Youths only became useful during political election campaigns. They were caught up in a dilemma since no specific ministry dealt with youth issues, and it was against this background that the government formed the Ministry of Youth Development, Gender and Employment Creation.

On the economic front, the ESAP era is notorious for derailing the developmental state, not just in Zimbabwe, but in Africa as a whole (Chipika and Malaba, 2014). A universalist, one-size-fits-all neo-liberal approach, in the form of the ESAP, was the brainchild of the World Bank in the early 1980s.³⁷ The ESAP model had an ab-

35 Several civil society organisations (CSOs), most of which were formed in the 1980s became very active in championing women's legal rights, and these included: the Women's Action Group (WAG), 1983; the Legal Resources Foundation, 1984; Women and Law in Southern Africa (WLSA) Research Trust – Zimbabwe, 1988; the MUSASA Project, 1988; and the Zimbabwe Women's Lawyers' Association (ZWLA), 1992; among others.

36 For example, in 2000, the High Court had only 5 women judges out of 21; the Supreme Court had none; whilst at the University of Zimbabwe, women academics numbered 187 out of a total staff of 725.

37 This economic model was soon code-named the Washington Consensus (WC).

solute commitment to the free market³⁸ and assumed that the state was a source of both inefficiency and corruption (Krueger, 1974). In this regard, the market rather than the state had to address such economic problems of development as industrial growth, international competitiveness and employment creation. However, there is little specification of what the end-state would look like under this 'rolling back of the state' scenario. In the meantime, there is no doubt that, these 'market economy' freedoms can only be guaranteed through a state provisioning of efficient public institutions. Naturally, weak rolled back states cannot deliver on this demand.

Under this market-driven model, poverty and inequality could not be a priority as distributive aspirations were perceived as generating inefficiencies in the economy. Thus, under ESAP, developmental states lost much of their capacity to select, implement and monitor distributive and welfare policies. Once again, the poverty and inequality reduction agenda was largely left to the failed 'trickle-down' process.

The performance of the economy under ESAP was largely unimpressive (Mazingi and Kamidza, 2011). Within two years of implementation, the economy experienced a significant decline in real incomes and per capita levels of social expenditures (education, health and social welfare). Real economic growth fell from an average annual rate of 4% between 1985 and 1990 to 1.4% during the reform period, far less than the expected annual growth rate of 5%. Employment, which had grown at a rate of 2.4% during the pre-ESAP period, dropped to an annual average of 0.8%, far below the targeted 3% annual rate. Inflation rose by an average annual rate of 27.6% during the ESAP period compared to 11.4% between 1985 and 1990. The budget deficit rose from 10% of GDP at the beginning of economic reforms to 12.2% by 1995. The target of reducing the budget deficit to 5% of GDP by 1995 was not achieved (Government of Zimbabwe, 1998). On the other hand, capital formation and the percentage of exports in GDP increased. Many industrial firms, notably in textiles and footwear, closed in response to increased competition and high real interest rates.³⁹ In addition, the new policies were undermined by the droughts of 1992, 1993, and 1995.

During this period, there was failure to institute an all-inclusive economic consultative process until it became evident in the mid-1990s that the economic crisis was far from dissipating. While the birth of the National Economic Consultative Forum (NECF) in 1997 created some space for national dialogue on economic policy, it still lacked the powers to effect binding decisions, to the extent that

38 The WC emphasis on the virtues of the market was supported by the neo-Austrianism associated with Friedrich von Hayek and the general equilibrium theory of mainstream economics (Fine and Saad-Filho, 2013).

39 The new African National Congress (ANC) government in South Africa did not renew its expired trade agreement with Zimbabwe and subjected its exports to punitive tariffs, just as Zimbabwe reduced its own, contributing significantly to deindustrialisation.

economic policy making and planning remained centralised under a monopoly of the ruling party (Poverty Reduction Forum, 2000). Several lobby groups and economic indigenisation initiatives were formed, including the Indigenous Business Development Centre (IBDC), 1990; the Indigenous Commercial Farmers Union, 1990; the Affirmative Action Group, 1994; the Indigenous Business Women's Organisation, 1994; Employee Buy-out Shares and Employee Stock Option Plans, 1996; the National Investment Trust, 1996; the National Economic Consultative Forum, 1997; and the Tripartite Negotiating Forum in 1998.

Government continued to formulate development plans even during the ESAP period, producing the Second Five-Year National Development Plan, 1991-1995, which was never implemented as ESAP dictated the pace of macroeconomic developments in the country in the form of widespread liberalisation and cost recovery measures (Chipika and Malaba, 2011). The Zimbabwe Programme for Economic and Social Transformation (ZIMPREST), 1996-2000, a home-grown policy which was intended to be the second phase of ESAP, received a belated launch and its objectives were never achieved largely due to the lack of international financial support (Government of Zimbabwe, 1998). Similarly, the Third Five-Year National Development Plan (NDP), 1996-2000, was low-key, just like the ZIMPREST. There is no doubt that, during the second decade, there remained a conflict between the remains of the welfarist state of the first decade and the neoliberal paradigm under ESAP.

After the fallout with the IMF and World Bank, and with support from the United Nations Development Programme (UNDP), Zimbabwe attempted to revisit development by producing Vision 2020 which contained the aspirations of the population for the next 20 years, including equal opportunities for all, but the vision largely remained unimplemented. Thus, although the state kept its underlying desire to have a developmental orientation, there is no doubt that the powerful neo-liberal thrust partly derailed this desire. In contrast, countries in the sub-region, such as Mauritius, who currently rank high in economic transformation, including diversification, stuck to their own development agendas.

Although many whites had left Zimbabwe after independence, mainly for neighbouring South Africa, those who remained continued to wield disproportionate control over some sectors of the economy, especially agriculture. In the late 1990s whites accounted for less than 1% of the population but owned 70% of the arable land. The land and agrarian reform strategy, under the National Land Policy of 1990, sought to redistribute land to small-scale family farms (A1 schemes) and to smaller-sized capitalist farmers (A2 schemes), reflecting the growing influence of the domestic black petty-bourgeoisie on policy-making. The 1992 Land Acquisition Act was enacted to speed up the land reform process by

removing the 'willing buyer, willing seller' clause, limiting the size of farms and introducing a land tax (although this was never implemented).

Following the expiry of the Lancaster House Agreement's constraints on land re-distribution after the first decade of independence, the ordinary people and opposition politicians of Zimbabwe became restless again on the land issue. The government appeared to have forgotten about this key unresolved issue. Opposition by landowners increased between 1992 and 1997. Following several public expressions of discontent over socio-economic issues, including the land question, a Land Reform Donors' Conference was held in 1998.⁴⁰ Forty-eight countries and international organisations attended and unanimously endorsed the land reform programme, saying that it was essential for poverty reduction, political stability and economic growth.⁴¹

Thus, the timing of the ESAP, which interestingly coincided with the expiry of the Lancaster House Agreement, naturally pacified the state in its desire to be developmental through effective land redistribution. It is argued that, the state only awoke to the land issue as part of the political mileage for the ruling ZANU-PF, following strong sentiments from the labour-based opposition MDC and the general land hungry population. However, the state's attempts to drive a locally and internationally inclusive land reform process as reflected in the holding of the Donors' Conference, while commendable, were never realised.

Following the change of government in Britain, and subsequent renegeing on the pledge to compensate white farmers, landless Zimbabweans, led by war veterans, spontaneously moved in to occupy commercial farms in 1998. On 5 November 1997, Britain's then Secretary of State for International Development, Clare Short, described the new Labour government's approach to the Zimbabwean land reform in a letter to Zimbabwe's Agriculture Minister, which read in part:

I should make it clear that we do not accept that Britain has a special responsibility to meet the costs of land purchase in Zimbabwe. We are a new government from diverse backgrounds without links to former colonial interests. My own origins are Irish and, as you know, we were colonised, not colonisers (Utete, 2003).

In the 1990s, less than one million hectares were acquired, and fewer than

40 They agreed that the inception phase, covering the first 24 months, should start immediately, particularly appreciating the political imperative and urgency of the proposal.

41 The partners reached an agreement to try out a combined market and state acquisition through an Inception Phase Framework Plan. It was agreed that the former colonial power, Britain together with willing donors would provide resources for the compensation of farmers for the land which was to be acquired for resettlement, whilst the government of Zimbabwe agreed to pay for farm improvements.

20,000 families were resettled. Only 19% of the almost 3.5 million hectares of resettled land was considered prime, or farmable. In 1997, the government issued a list of 1,471 farmlands it intended to buy compulsorily for redistribution, and in June 1998 published its policy framework, the Land Reform and Resettlement Programme Phase II, 1997-1999, which envisaged the compulsory purchase over five years of 50,000 square kilometres from the 112,000 square kilometres owned by white commercial farmers, public corporations, churches, NGOs and multinational companies. Thus, the frustration with ESAP, Britain's U-turn on land compensation, the lack of economic democracy as reflected in the continued skewed distribution of land, combined with escalating political unrest, paved the way for more radical action on land reform by the state in Zimbabwe.

Furthermore, a share equity transfer approach to the indigenisation of business (including of large agro-industrial estates and conservancies) was also debated in the 1990s, and this was gradually adopted from the early 2000s onwards. The popular expectation was that such shares would be distributed proportionately among a broad base of beneficiaries, including neighbouring communities. A Department of Indigenisation was set up in the Office of the President and Cabinet. The Policy Framework on the Indigenisation of the Zimbabwean Economy was produced in 1998 by the government with support from UNDP.

Despite the intervention of the Civil Service Reform Programme under ESAP, an inefficient civil service persisted in line with Kavran's 1989 findings. The Public Service Commission (PSC) baseline survey of 1997 highlighted such inefficiencies.⁴² The departments that deal with the public the most were identified as the worst culprits, for example, the health sector, the Registrar-General, the Department of Social Welfare, and the police. The reward system and conditions of service in the public service accounted for most of the poor performance. High levels of corruption reflect institutional ineffectiveness, or even decay. It is in the light of this that various stakeholders proposed at various fora the creation of an Anti-Corruption Commission (ACC) as a matter of urgency. According to Shana (2006), from 1987 to 2001 Zimbabwe witnessed the emergence of political elite corruption and network corruption.⁴³ Thus, the state failed the DDS test

42 Government employees were: too slow in serving clients and this resulted in long queues and over-crowding; arrogant, uncaring and insensitive; practicing favouritism in attending to clients; lazy and spent too much time doing their own private business; unnecessarily absent from their work stations; among others.

43 Major scandals during the ESAP decade included the following: War Victims Compensation Fund (1994); Grain Marketing Board (GMB) (1995); VIP Housing (1996); Boka Banking (1998); Zimbabwe Electricity Supply Authority (ZESA) YTL Soltran (1998); Telecel (1998); Harare City Council Refuse Tender (1998); Housing Loan (1999); Noczim (1999); DRC timber and diamonds (1999); GMB Grain Trade (1999); Ministry of Water and Rural Development Chinese tender (1999); and VIP Land Grab (1999); the Zimbabwe Manpower Development Fund; the District Development Fund.

of efficient institutions to deliver on development.

However, at the local level people made good use of the new opportunities that Village Development Committees (VIDCOs) and Ward Development Committees (WADCOs) opened up for them after the mid-1980s, and initiated improvements to agricultural production, nutrition garden, water and sanitation, literacy and preschools, soil conservation and tree planting, and other improvements. VIDCOs were an accessible structure of decision making for women. VIDCOs and WADCOs remained a positive development in promoting local-level democracy. Nonetheless, integrating the roles of elected and traditional leaders, remained a challenge during this period.

The social cost of ESAP is clearly illustrative of an economic experiment gone out of control. Under ESAP, the 'rolled-back state' was stripped of many of its functions in the provision of health and education services in particular, which once marked Zimbabwe's most positive achievements. Price controls were removed, social spending cut, cost recovery introduced in social sectors, and consumer subsidies removed. Within a short period, ESAP ripped into the existing economic and social infrastructure, shifting the focus of many mass-oriented development social programmes away from redistribution towards the management of defined and limited, even declining, public resources. Starting with government's budget statement in July 1990, ESAP rapidly undermined the relative stability of Zimbabwe's social economy (Saunders, 1996).

The national budget cuts that were made under ESAP, concentrated on the social services, and led to serious reductions in the quality of health and education. In 1992, doctors and nurses began referring to 'ESAP deaths' (Saunders, 1996), described as deaths caused by the inability of patients to pay for the minimal length of time in the hospital, or for prescription medicine. In 1999, the Presidential Commission of Enquiry into Education and Training, commonly known as the Nziramasanga Commission, was launched in a bid to reposition national education systems for development in the new millennium. Most of the current education policies draw on the recommendations of this enquiry.

The government was aware that ESAP brought the risk of higher unemployment and higher consumer prices in the short term. The ESAP experiment failed as neither the market reforms, nor the measures that were meant to offset their effects on the most vulnerable, went according to plan. For example, the Social Dimensions of Adjustment programme financed by the accompanying Social Dimensions Fund, which was meant to assist poor households with school fees, health fees and food money subsidies, was seriously underfunded and centralised in Harare, making access difficult.

With deindustrialisation fuelling unemployment,⁴⁴ and a spiralling public debt, the standard of living of most Zimbabweans plummeted. Economic hardships also saw a lot of people illegally crossing borders either to trade informally or to seek jobs in neighbouring countries. Price control relaxation saw inflation explode and consumer demand shrink. High inflation which remained above 20%, averaging 28.8% in 1991-94, instead of falling to the projected 10%, together with a government deficit which fluctuated around 10%, averaging 8.8% of GDP in the early 1990s, eroded the general welfare of the population. Average real wages declined sharply to their lowest levels since the early 1970s. In the rural areas, the majority population was often forced to depend on government food aid. The return of rains in 1994 did not improve the situation, making it clear that the ESAP reforms themselves were the leading factor in undermining ordinary people's standard of living.

During the ESAP period, population growth was higher than the real GDP growth, meaning that the economic growth rate was insufficient for poverty reduction and employment creation. The proportion of the population below the Total Consumption Poverty Line⁴⁵ (TCPL) stood at 76% in 1995, up from 48% in 1984 (ZIMSTAT, 2013), and the proportion below the Food Poverty Line⁴⁶ (FPL), was 47% in 1995. Human development, which rose between 1980 and 1985, from an HDI of 0.437 to 0.517, declined to 0.488 in 1990 and 0.428 in 1995 (see Figure 6.2). Income inequality in Zimbabwe as measured by the Gini Coefficient was high at 0.50 in 1995. The collapse of the safety nets coupled with a high rate of retrenchments and difficulties in salary and wage and terminal benefits negotiations led to wider income inequalities between the rich and the poor. In response to the deteriorating standards of living of the general population as a result of ESAP, the government put in place the Poverty Alleviation Action Plan in 1995, but this was underfunded and only belatedly implemented.

The internal World Bank critique of ESAP as reflected in the Performance Audit of 1995 noted that:

... the concerns, however, go beyond the issues of pace and design: the comprehensiveness of the program seems a fundamental issue, especially given the objective of reducing poverty. Given the highly dualistic nature of Zimbabwe's economy (where the white minority dominates formal sec-

44 Southern African Political Economy Series (SAPES) Trust, SADC Country Studies; Zimbabwe 2001 - The Zimbabwe Congress of Trade Unions (ZCTU) estimated that about 55,000 jobs were lost up to 1995. By 1993, formal sector unemployment had reached 1.3 million persons, a figure that was roughly equal to the total number of employees in that sector.

45 The Total Consumption Poverty Line (TCPL) is derived from scaling up the Food Poverty Line (FPL) and it gives the monthly income required by an individual to meet the basic food and non-food requirement per month.

46 The Food Poverty Line (FPL) is the monthly consumption expenditure required for an individual in a household to meet the basic daily food requirements of 2,100 kilocalories.

tor economic activity and owns two-thirds of high potential land, and the black majority is concentrated in rural, communal areas and the urban informal sector), it would appear that some basic questions were not explicitly addressed at the outset. First, would ESAP, predicated on the formal sector acting as an engine of growth, create sufficient jobs, quickly enough, to address the serious problems of employment? ... Even realization of the most optimistic scenarios for formal sector growth will not provide a quick solution to the unemployment problem (World Bank, 1995: 11).

Tom Allen, who at the time was the World Bank's Resident Representative, also admitted that growth needed to be inclusive – 'partial deregulation without a restructuring of the dual economy creates social tensions and not enough jobs' (Allen, 1999) – social sector expenditures needed to be protected and targeted measures to deal with poverty should have been seen not as 'add-ons' but as an integral part of ESAP. He also pointed out that state intervention is necessary, 'getting the prices right and making markets work better are important, but these need to be complemented with (state) measures to ensure that the "unequal" balance of power of those who can readily engage in the market and those who cannot, does not lead to dangerous levels of social tensions', and national ownership of the programme was critical.

2000–2008: THE 'NATIONALISTIC STATE IN CRISIS' UNDER THE FAST TRACK LAND REFORM PROGRAMME, UNILATERAL SANCTIONS BACKLASH, AND ECONOMIC RECESSION

Zimbabwe's economic recession decade was dubbed the 'lost decade and the 'electioneering decade', with a constitutional referendum and eight national elections conducted⁴⁷ before the signing of the Global Political Agreement (GPA) on 15 September 2008. The repercussions included allegations of human rights abuses, and the country being labelled a 'pariah state' in some international circles, partly resulting in the imposition of sanctions by the EU, USA, Australia and Canada. Generally, elections in this decade were marred by violence, underpinned by the National Youth Service,⁴⁸ established in 2001.

The MDC's first opportunity to test opposition to ZANU-PF came in February 2000, when a referendum was held on a draft constitution⁴⁹ proposed by

47 Constitutional Referendum (12-13, February, 2000); Presidential (9-11, March, 2002; 29 March, 2008; 27 June, 2008); Parliamentary (24-25, June 2000; 31 March, 2005; 29 March, 2008); and Senatorial Elections (26 November, 2005; 29 March, 2008).

48 The National Youth Service is a programme of the Zimbabwean Government for Zimbabweans of ages 10 to 30 years old. It was originally authorised by the 1979 National Service Act, passed by the government of Zimbabwe Rhodesia. Its official stated purpose was to 'transform and empower youths for nation building through life skills training and leadership development'.

49 Among its elements, the new constitution would have permitted the sitting President to seek two additional terms in office, granted government officials immunity from prosecution, and authorised government to take over white-owned farms for redistribution to the majority black farmers without compensation.

the government. The draft was rejected by 55% of the voters. Shortly thereafter, the state, through groups of war veterans working in collaboration with some villagers, sanctioned an aggressive land redistribution programme, the 'Third Chimurenga', often characterised by forced expulsion of white farmers and violence against both farmers and farm workers. The state was transformative and developmental in the sense that it was determined to address the historical land inequalities which largely underpin the high structural poverty in the country. Even though the benefits of land redistribution are not short-term in terms of poverty reduction, in the medium to long-term such an outcome is likely to be realised. While the rise of a youth militia may be justified against the backdrop of a state-sanctioned takeover of land, the resultant violence of these youths towards the rest of the population, particularly during election, was highly contrary to the tenets of a DDS.

Following the disputed outcomes of the parliamentary elections of 2000 and presidential elections of 2002, the stability previously enjoyed shifted to relative political instability characterised by polarisation between ZANU-PF and the MDC. The MDC, with the support of some CSOs, called for sanctions to be imposed on Zimbabwe, as a way of forcing ZANU-PF out of power. The ensuing instability led to the international isolation of the country as relations with key institutions and nations such as the Bretton Woods institutions, the EU, the Commonwealth, the USA and allies of the west such as Australia were strained. Unilateral sanctions – not sanctioned by the UN – were imposed on the country by the EU, and by the USA under the Zimbabwe Democracy and Economic Recovery Act in 2001. This Act was passed by the United States Congress to provide for a transition to democracy and to promote economic recovery in Zimbabwe. Its thrust was to 'support the people of Zimbabwe in their struggle to effect peaceful, democratic change, achieve broad-based and equitable economic growth, and restore the rule of law'. It has been argued by ZANU-PF that it is basically a 'regime change agenda' sugar-coated by notions of democracy, equity, and the rule of law.

According to the U.S. Department of Treasury's Office of Foreign Assets Control, targeted sanctions applied to 105 Zimbabwean individuals and 71 entities (mostly farms, state-owned enterprises and companies owned by the 105 individuals), as at 17 April, 2014.^{50;51} Whilst Zimbabwe is said to be under targeted sanctions, in reality the sanctions have affected the whole economy, hurting the poor the most, thus rendering the state unable to deliver even basic development

50 Embassy of the United States, Harare – <http://sdnsearch.ofac.treas.gov/> (April, 2014).

51 Apart from Zimbabwe, the other African countries on the OFAC list are the DRC, Somalia and Sudan.

to its people.

According to Shana (2006), the 2002 elections ushered in a new level of political polarisation, combativeness and aggression, and this has defined the political and economic landscape of Zimbabwe ever since.⁵² The distinction between party and government, party and national interest, and party and national patriotism became increasingly blurred, and parliament, the judiciary, law enforcement, watchdog institutions and civil servants in general lost their relative autonomy, professionalism and accountability to the nation for service delivery.

Zimbabwe held a highly controversial presidential election, resulting in a re-run, along with a parliamentary election on 29 March 2008. No official results had been announced more than a month after the first round. The USA and the EU called for increased sanctions, and the African Union (AU) and SADC called for a 'government of national unity', in order to stabilise the country.

Historically, it has been observed that states in crisis usually invoke security sector operations, under the guise of maintaining peace, security and stability. During the recession period, several such operations took place or are alleged to have taken place in Zimbabwe.⁵³ These included Operation *Tsuro* ('Rabbit'), March-July 2000,⁵⁴ Operation *Murambatsvina* ('Drive out rubbish'), May-June 2005,⁵⁵ Operation *Taguta/Sisuthi* ('We have eaten') November 2005,⁵⁶ Operation *Garikai* ('Live well'),⁵⁷ and Operations *Chikorokoza Chapera* ('No more illegal mining'), and in 2008 Operation *Hakudzokwi* ('No return'),⁵⁸ Operation *Dzikisai Madhishi* ('Remove your satellite dishes')⁵⁹ and Operation *Makavhotera Papi?* ('Who did you vote for?').

It was against this background that Zimbabwe's main political actors inten-

52 As a result, partisan politics and especially ruling party politics captured national and state operations demarcating between ZANU-PF party faithfuls and other lower caste citizens and demanding party loyalty as a pre-requisite to the exercise of right or privilege.

53 Chitiyo, 2009.

54 It is alleged that this operation underpinned the FTLRP.

55 Led to the demolition of hundreds of shacks and houses in high-density urban areas nationwide. The government stated that the operation was necessary to reduce urban crime and improve service delivery in the cities. Urban crime had undoubtedly become a serious problem in Zimbabwe, but the opposition MDC alleged that the assault was state retribution for urban support for the opposition.

56 Government marketed it as a way of 'rationalising' Zimbabwe's agricultural economy to ensure food security by involving the army's support in agriculture.

57 Officially launched as a massive housing project, the aim being to build small houses for those who had been displaced by Operation *Murambatsvina*, and to reduce the waiting list of those who had been waiting for years for government accommodation. Largely, Operation *Garikai* did not deliver as intended.

58 Co-ordinated police and army operations against illegal gold and diamond panners.

59 It is alleged that the state regarded the satellite TV dishes as purveyors of 'anti-Zimbabwean' Western propaganda.

sified the dialogue to find common ground, and these negotiations, brokered by the SADC and the AU and led by South Africa, gave rise to the GPA in 2008⁶⁰ and the subsequent formation of an Inclusive Government (IG) in 2009 which is credited with achieving the relative political and economic stability that Zimbabwe is currently experiencing.⁶¹

While political instability and general governance challenges were deepening in the country, the state intensified its radical land reform programme, starting in 2000, with the 'officialisation' of the land occupations into the FTLRP. In response to both the FTLRP and increasing governance challenges in Zimbabwe, Europe and America in particular responded by putting Zimbabwe under unilateral economic sanctions. While the international community continued to raise concerns over the deteriorating political and socio-economic situation in Zimbabwe, the leaders of other African countries continued to offer the President of Zimbabwe statements of support, particularly with regard to the FTLRP.

Whereas the land reform process was initially technocratic and conservative in terms of liberal market criteria, it became radicalised through the use of land expropriation on an extensive scale after 1997. In 2000, the FTLRP, which was fuelled by extensive land occupations, mobilised and led by the veterans of the liberation war, entailed land expropriation, leading to intense conflicts over land, as well as over the numerous elections held from 2000.⁶² The FTLRP resulted in far-reaching changes in terms of land ownership, farm sizes, gender distribution and output. While the unprecedented redistribution of land is an aspect of developmental state intervention, the ensuing international outcry and sanctions backlash reflects the possible costs of taking a radical stance that violates human rights. Radical land redistribution is, by its nature, violent and faces resistance at many levels, but a transformative developmental state must be ready to carry through its objectives, as long as the benefits are believed to be greater than the costs.

Landholding patterns of Zimbabwe altered dramatically in 2007, when over 90% of the former large-scale commercial farm lands were transferred into state property and allocated to various beneficiaries. Current land distribution shows that the white population constitutes less than 0.2% of the farmers in the coun-

60 On 15 September 2008, the leaders of the 14-member SADC witnessed the signing of the power-sharing agreement, brokered by South African leader Thabo Mbeki. With symbolic handshake and warm smiles at the Rainbow Towers hotel, in Harare, Mugabe and Tsvangirai signed the deal to end the violent political crisis.

61 Preliminary talks to set up conditions for official negotiations began between leading negotiators from both parties on 10 July 2008 and on 22 July the three party leaders met for the first time in Harare to express their support for a negotiated settlement of disputes arising out of the presidential and parliamentary elections.

62 Chapter 2 in Moyo and Chambati (2013).

try. Table 5.2 shows the number of people resettled between 1980 and 2009, and the area they occupy.⁶³ By 2010, the FTLRP had transferred 96% of agricultural land into the hands of indigenous Zimbabweans.

Table 6.2: Total Number of Farmers Resettled in Zimbabwe, 1980-2009

Resettlement Phase	Number of Families Resettled	Targeted Families	Percent Families Resettled	Area (ha)	Targeted Area	Percent Area Settled
Phase I (1980 to 1998)	71 000	162 000	43.8	3 498 444.00	8 300 000	5.0
Inception Phase (1998-2000)	4 697	110 000	4.3	168 264.00	5 000 000	3.4
Phase II (2000 – 2008)/ FTLRP)	162 161*	-	-	10 816 886.11	11 000 000	98.3
Total	237 858	-	-	14 483 594.11	-	-

Source: Government of Zimbabwe, 2009

* Under this phase, 162,161 families were resettled on 10,816,886.11 hectares. Of these, the Ministry of Lands and Rural Resettlement (MLRR) estimates that 145,775 families are settled under A1 occupying 6,562,863.9 hectares and 16,386 under A2 model occupying under 4,254,022.21 hectares.

Women were allocated only 10% of the land under the FTLRP, whilst special groups such as war veterans acquired as much as 15-20%. In addition, land tenure problems and the negative impact on farm workers continued to haunt the

63 Government of Zimbabwe (2009). Communal farmers remained unchanged at 1.1 million as at 1980. The small to medium scale commercial farm category increased from 8,000 in 1980 to 22,000 in 2009, with the introduction of A2 farmers under leasehold tenure. According to the government, there were approximately 145,775 A1 allocations and A2 beneficiaries numbered 16,386 households. Generally, most beneficiaries were allocated land in the higher potential provinces. These families have been resettled on 10,81, 886.11 hectares.

radical land repossession programme. Furthermore, the Reserve Bank of Zimbabwe (RBZ) scaled up its quasi-fiscal activities in support of the FTLRP, through crop inputs, farm mechanisation, support to horticulture producers, and other initiatives,⁶⁴ during the period 2005-2008, which fuelled hyperinflation, while agricultural output cumulatively declined by more than 60% during the recession decade.

The land question further underpinned the economy-wide indigenisation and economic empowerment (IEE) drive during this decade. The IEE policy was revised in October, 2004 and adopted by cabinet as the 'Revised Policy Framework for the Indigenisation of the Economy'. The framework provided for the formulation of the IEE legislation, culminating in the Indigenisation and Economic Empowerment Act (Chapter 14:33), March, 2008.⁶⁵ The main objective of this Act as outlined in section 3 is 'to endeavour to secure that at least 51% of the shares of every public company and any other business shall be owned by indigenous Zimbabweans'. However, the IEE programme was criticised for redistributing existing wealth in order to empower the indigenous majority, instead of creating a conducive environment for the creation of new wealth, particularly by indigenous people.

There is no doubt that the cost of the radical transformative developmental state actions was a decade of economic recession and unprecedented hyperinflation. Thus, the 'economic fire-fighting state', in its attempt to address the declining economic performance, launched several economic policies and programmes which failed to rescue the economic slide.⁶⁶ Major factors affecting economic performance during the recession period included rising production costs, cash-flow

64 Productive Sector Facility (PSF); Agricultural Sector Productivity Enhancement Facility (ASPEF); Parastatals and Local Authorities Reorientation Programme (PLARP); Farm Mechanisation Programme (FMP); and Basic Commodities Supply Side Intervention (BACOSI).

65 The IEE Act (IEEA) of 2008 of Zimbabwe defines indigenisation as 'a deliberate involvement of indigenous Zimbabweans in the economic activities of the country, to which hitherto they had no access, so as to ensure the equitable ownership of the nation's resources'. It further defines an 'indigenous Zimbabwean' as 'any person who, before the 18th April, 1980, was disadvantaged by unfair discrimination on the grounds of his or her race, and any descendant of such person, and includes any company, association, syndicate or partnership of which indigenous Zimbabweans form the majority of the members or hold the controlling interest.' The IEEA defines empowerment as, the 'creation of an environment which enhances the performance of the economic activities of indigenous Zimbabweans into which they would have been introduced or involved through indigenisation.'

66 The Millennium Economic Recovery Programme (MERP) was launched in August 2001 as a short-term 18-month economic recovery programme; the National Economic Revival Programme (NERP): Measures to Address the Current Challenges, February 2003, a 12-month stabilisation programme; the Macro-economic Policy Framework (MEPF), 2005-2006: Towards Sustained Economic Growth; the National Economic Development Priority Programme (NEDPP), 2008-2009; the Short-term Stabilisation Programme (STSP), 2008-2009; the Zimbabwe Economic Development Strategy (ZEDS), 2009-2013, which was abandoned with the coming of the IG in 2009, bringing on board quick measures to stabilise the economy.

difficulties, foreign exchange shortage, fuel, power and water shortages, weakening domestic demand due to declining real incomes, shortages of raw materials and spare parts, and policy inconsistencies and reversals. This was aggravated by the suspension of balance of payments support in 1999 and poor export performance. As shown in Box 6.1, key macroeconomic variables for 2008 depicted an economy in a deep crisis.

Box 6.1 Peak of Economic Collapse: Zimbabwe Key Macroeconomic Indicators, 2008

- Annual real Gross Domestic Product (GDP) growth declined by 14.8% in 2008, giving a cumulative decline of 54.8% to the economy from 1999 to 2008.
- Money supply growth accelerated to 431 quintillion⁶⁷ percent in December, 2008.
- Annual inflation reached an unpublished estimated 3.2 quintillion percent in December 2008.
- External payment arrears stood at US\$ 3 071.4 million.
- External debt to GDP ratio was 110.5 percent, significantly higher than the International benchmark of 60%.
- A vibrant parallel market for foreign exchange, characterised by ‘currency burning’, developed in the country since 2001 on the back of foreign currency shortages.
- Parallel market exchange rate stood at 60 quintillion Z\$ per 1US\$ in December 2008, against an official exchange rate of 40.9 quadrillion⁶⁸ Z\$ per 1US\$ in December 2008.
- Zimbabwe experimented with seven exchange rate regimes during the recession period.⁶⁹
- Cumulatively, Zimbabwe had currency re-denomination/re-basing in which 25 zeros were removed between August 2006 and January 2009.

Source: Chipika and Malaba (2011), Chapter 5.

The June 2007 government directive through the National Incomes and Pricing Commission to slash prices had debilitating effects on the manufacturing and distribution sectors, including the emptying of shops, with some players never recovering from the impact and going out of business, thus, fuelling de-industrialisation. Controls were perverse in all markets from goods and labour, to money and foreign exchange and gave rise to massive distortions. The demise of the economy during the recession decade was partly a result of the implementation of inappropriate policies and poor macroeconomic management, with unilateral sanctions playing a significant role.

The economy registered declines between 1999 and 2008, with the worst decline of -14.8% in 2008 as reflected in Figure 6.1. Reflective of the underlying inflation pressures, however, annual inflation surged to 585% in December 2005,

67 18 zeros are read as quintillion.

68 15 zeros is read as quadrillion.

69 Fixed Exchange Rate, crawling peg, 2000-2004; Export Support Rate, February 2003-January 2004; Foreign Currency Auction System, January 2004 - October 2005; Tradable Foreign Currency Balances System (TFCBS), 24 October 2005; The Volume Based Exchange Rate System (VBERS), January 2006 - April 2008; The Interbank Foreign Exchange Market, 30 April 2008 – December 2008; and the Multicurrency System (February 2009 to date). In 2000, Zimbabwe introduced a crawling peg whereby the exchange rate would be adjusted according to inflation differentials between the country and its trading partners. The exchange rate crawled from Z\$50 to Z\$55 in 2001 per US\$1 and remained fixed there despite high domestic inflation.

before reaching 231 million% by July 2008 and an unpublished 3.2 quintillion percent by December 2008, leading to the rejection of the Zimbabwe dollar as a medium of exchange by the population.⁷⁰ The acceleration in inflation posed severe transactional challenges, necessitating the rebasing or re-denomination of the local currency, but this only brought temporary relief. Cumulatively in 2006, 2008, and 2009, 25 zeros were removed from the currency, reflecting the negative impact of hyperinflation.

The banking and finance sector in the country went through a marked process of transformation after 2000, with 12 new banking institutions formed⁷¹ during the economic recession period, 2000-2008.⁷² During 2003 and 2004, the banking sector experienced a crisis which was characterised by liquidity and corporate governance challenges, culminating in the placement of several banks under curatorship while others were summarily closed, following the RBZ's tightening of liquidity in the market in December 2003.⁷³ As a result, 17 financial institutions were put under liquidation or placed under curatorship,^{74;75} leaving an indelible mark on the banking and finance sector up to today. Shortly before the crisis, newly established indigenous banks had successfully eclipsed traditional foreign-owned institutions in several areas such as product offerings, customer service, balance sheet and profitability.⁷⁶

The country's external sector position remained precarious from 1997 to 2008, against the background of declining export performance, increased imports and declining capital inflows. Consequently, the country was unable to settle debt obligations resulting in the accumulation of external payment arrears which stood at \$3,071.4 million by the end of 2008. The external debt to GDP ratio stood at an unsustainable 110.5%, significantly above the desired interna-

70 The then Central Statistical Office then stopped publishing inflation figures after July 2008.

71 Interfin Merchant Bank; Agricultural Bank of Zimbabwe (Agribank); TrustFin; Century Bank; Trust Banking Corporation; Renaissance Merchant Bank; Intermarket Banking Corporation; Royal Bank of Zimbabwe Limited; Premier Discount House; Barbican Bank Limited; Sunpol Finance; and Leasing Company of Zimbabwe.

72 Reserve Bank of Zimbabwe Annual Report, Various Issues.

73 RBZ Annual Reports for 2001-2008

74 Genesis Investment Bank; ENG Capital Investments (Pvt) Ltd (collapsed); First National Building Society; Barbican Bank; Century Discount House (liquidation); CFX Bank; CFX Merchant Bank; Intermarket Banking Corporation Limited; Intermarket Building Society; Royal Bank of Zimbabwe; Time Bank Zimbabwe; Trust Bank Corporation; Barbican Asset Management (liquidation); Rapid Discount House (liquidation); Intermarket Discount House; and CFX Asset Management.

75 Most of these banks were asset rich but cash poor.

76 While the traditional banks such as Barclays, Standard Chartered and Stanbic chose to remain conservative, indigenously-owned banks such as Trust, Barbican and NMB were aggressively rolling out new products and perfecting customer services. The traditional foreign-owned banks were not only losing their clients but also staff to the new banks which had embraced modern banking technologies and competitive remuneration policies.

tional benchmark of 60%. Given the fall-out with traditional trading partners, particularly the EU, Zimbabwe resorted to the 'Look East Policy', targeting China, Asia and the Middle East.

Zimbabwe's infrastructure deteriorated over the recession decade due to lack of investment in the energy, water and sanitation, transport and communications sectors, which in turn hindered the performance of the productive sectors. Capacity utilisation in the manufacturing sector was at 10% during this decade, down from 70-76% during the decade before⁷⁷. De-industrialisation deepened and the economy became highly informalised.⁷⁸

From 2002, the country entered into a phase of knee-jerk interventions, often riddled with corruption;⁷⁹ with accountability and professionalism now subordinated to party politics, it was inevitable that immoral, criminal and corrupt activities would flourish. The result was that corruption could now be justified as a political strategy, as could patronage from the various camps that were emerging. Thus, overall, the economic fire-fighting state could not deliver on the economic agenda.

The Zimbabwean economy dollarised informally during the last half of 2008, following the precipitous loss in value of the local currency.⁸⁰ Monetary authorities responded by seeking to formalise the use of foreign currency by issuing selected wholesalers and retailers with licenses to sell goods in foreign currency.⁸¹ The country moved a step further and introduced a multiple-currency system in January 2009.

During the recession period, the once fully functional social sectors, including education, health, pension systems, and other social protection programmes lost all financial support and were rendered dysfunctional. Poverty increased and deepened. The proportion of the population below the TCPL remained high at

77 Confederation of Zimbabwe Industries (CZI), (various).

78 Chipika and Malaba, 2011, Chapter 7. The high country risk factor, coupled with the unilateral sanctions imposed on Zimbabwe sent negative perceptions to the rest of the world, plunging the tourism sector into a deep recession since the year 2000.

79 The RBZ's ill-fated dream to bring a turn-around to the national economy, through quasi-fiscal activities such as, the PSF, ASPEF, PLARP, FMP, and BACOSI, among others, were all alleged to have been riddled with high level corruption. The closure and placement under curatorship by the RBZ, of 17 banking institutions is testimony to private sector corruption in the form of abuse of depositor funds, externalisation of large amounts of foreign exchange, and a general lack of sound corporate governance including insider trading, among others. The Noczim Fuel Scandal (2002), the Harare Airport Scandal (2001), pillaging and milking of Ziscosteel (2005-8), pillaging of diamonds in Chiadzwa (2006-2013), were among some of the major corruption scandals during the economic recession decade.

80 Consequently, economic agents conducted business transactions in secret, with basic goods disappearing from formal markets only to resurface in the thriving black market where they fetched foreign currency.

81 Chipika and Malaba, 2011, Chapter 5.

71% in 2001, with 42% falling below the FPL, and the income Gini coefficient remained high at 0.49. By 2008, poverty had reached unprecedented generalised levels of more than 80%.

Zimbabwe had a structural unemployment rate⁸² of 63% in 2003, and by 2008 this had risen to 80% or more, with even degree holders operating in the informal sector. Life expectancy was estimated at 39 years in 2003, down from 61 years in 1990, a decline that was largely attributed to HIV and AIDS, exacerbated by widespread poverty. Although HIV prevalence had declined from 24.6% in 2003 to 13.7% in 2009, the incidence of orphanhood was still high at 24% in 2009.⁸³

Food insecurity was one of the major challenges in Zimbabwe during the economic recession decade. Women often carried the heaviest burden by virtue of their reproductive roles and the household division of labour. The economic recession in particular intensified women's workloads by increasing their participation in informal labour markets, including informal cross-border trade, as well as shifting the burden of the care economy onto them.

Education deteriorated severely during the recession, as indicated by poorly maintained physical infrastructure, brain drain,⁸⁴ shortage of teaching and learning materials, and deteriorating standards of performance in schools.^{85;86} As the economic crisis deepened, the education system became highly informalised and privatised with the mushrooming of many low-quality private colleges and an increase in private tutorship. The economic crisis also made access to health services unaffordable, negatively affected the sourcing of drugs and other equipment, and led to the exodus of health professionals. Infant, child, and maternal⁸⁷

82 A concept devised to capture those that have been displaced, or are underemployed as a result of structural changes in the economy. In Zimbabwe the structural unemployment has included: those who were usually unemployed (last 12 months), discouraged workers (unemployed for longer than 12 months), those who were in the informal sector not by choice, the very poor and the poor communal and resettlement farmers, very poor and poor unpaid family workers, very poor and poor in the informal sector and the very poor and poor engaged in public works. (ZIMSTAT, 2014.)

83 ZIMSTAT (2009).

84 According to the, Education Medium Term Plan, 2011-2015, in 2008, some 20 000 teachers left their positions, leading to the greatest brain drain the sector has ever experienced. The economic and governance crises third decade (2000-2008) characterised by economic recession and hyperinflation resulted in the near collapse of the public education system by 2008, with rural areas experiencing a temporary shutdown of most schools.

85 Government of Zimbabwe (2014).

86 The percentage of Grade 7 pupils who obtained passes of grade 5 or better in the 4 examinable Grade 7 subjects decreased from 48% in 2000 to 33% in 2005. On the other hand, O-level pass rates were also very low at 18% in 2005, down from 25% in 2000. However, A-level pass rates remained generally high at 74% in 2005.

87 According to the Zimbabwe Population Censuses, maternal mortality drastically rose from 395 in 1982, to 1 068 in 2002. This sharp rise in maternal mortality was largely explained by the

mortality rates and home deliveries increased during the same period.⁸⁸

During the recession, revenues from both raw and treated water declined drastically, development partner support was withdrawn and there was inadequate funding for dam maintenance and the operation of water treatment and sewage plants.⁸⁹ Economic sanctions further aggravated the situation in the sector by limiting access to external funds. Water quality deteriorated as untreated sewage and waste from industry and mining were discharging directly into rivers and reservoirs, culminating in a cholera outbreak in 2008/2009, which according to the Ministry of Health and Child Welfare affected around 100,000 people and resulted in an estimated 4,300 deaths. The failure of city councils to provide water resulted in the proliferation of private boreholes and wells, some of which still provided unsafe water.

Most public and private sector housing schemes, including housing cooperatives, collapsed under hyperinflation.⁹⁰ Migration and remittances became a major social protection strategy as people left for perceived greener pastures in the region and abroad.

However, it has been argued that the long-term benefits of the FTLRP and the IEE programmes far outweigh the short- to medium-term costs of near economic and social collapse. It is important to note that some issues remain outstanding under the FTLRP, including multiple farm ownership, limited access to land by women and youth, and the absence of clear property rights.

2009-2013, THE 'COMPROMISE STATE' – FRAGILE RECOVERY UNDER 'DOLLARISATION'

Some political analysts have argued that:

What led the political formations to negotiate were the stark political realities facing them: despite emerging victorious in the 29 March 2008 elections, the MDC political formations were prevented by ZANU-PF from ascending to power and its support base was exposed to unprecedented and unbearable violence. ZANU-PF clung to power by violence but its legitimacy was completely eroded. Added to this, the Zimbabwean economy continued to degenerate to its lowest ebb and international, continental,

rapid spread of the HIV and AIDS epidemic and also the weakening of the health delivery system under economic hardships.

88 For the five year period preceding the Multiple Indicator Monitoring Survey (MIMS) 2009, all childhood mortality rates increased from the Zimbabwe Demographic and Health Survey (ZDHS) (2005/06) levels as follows: neonatal mortality rate from 24 to 30 per 1,000 live births; post neonatal mortality rate from 36 to 37 per 1,000 live births; infant mortality rate from 60 to 67 per 1,000 live births; child mortality rate from 24 to 29 per 1,000 children surviving to the first birthday; and under-5 mortality rate from 82 to 94 per 1,000 live births.

89 Government of Zimbabwe, 2013.

90 While people who held housing mortgage bonds benefitted by easily paying up under the hyperinflationary environment, this also meant that banks could not afford to avail new housing loans.

and regional pressure together with sanctions, contributed to ZANU-PF's decision to accept negotiations as the only game in town if it was to survive politically.⁹¹

Furthermore, the role of SADC in facilitating an agreement that attempted to balance the need for regional sovereignty with the legitimate electoral demands of the Zimbabwean electorate also demanded a compromise political outcome. With regards to the AU and SADC interventions on Zimbabwe, after 2008 the problem shifted from pushing for credible elections as a solution to a search for a power-sharing arrangement in a context where there was no legitimate government in Harare.

The Inclusive Government (IG) was formed on 13 February 2009. It was a coalition of ZANU-PF, MDC-T and MDC as agreed under the Global Political Agreement of 2008. The presidium (president; first and second vice presidents) was retained by ZANU-PF, whilst the prime minister and two deputy prime ministers went to the opposition. A bloated cabinet with 31 ministries was put in place to accommodate the candidates from the three parties.⁹² Though relative stability was achieved, ideological differences amongst the three parties within the IG persisted. However, a key aspect of governance during the IG was the centralisation of decision making between the three parties. Even the semblance of stakeholder participation through structures such as the Tripartite Negotiating Forum (TNF) disappeared during this period, reflecting a non-democratic state in the form of a coalition government.

Two other major political events took place in 2013, the constitutional referendum in March, and the harmonised elections in July. Although Zimbabwean politicians sometimes talk about the IG as if it was a 'marriage of inconvenience' or an 'unholy trinity', failure to reflect on some of the positive outcomes would mean failing to recognise that Zimbabweans have shaped important values and institutions that can be built upon. At a political level, the formation of the IG exposed the main political parties to several intense processes of negotiation. More importantly, it gave birth to several new democratic mechanisms and institutions, including the Joint Monitoring and Implementation Committee, the Organ of National Healing, Reconciliation and Integration, and the new constitution produced under the Constitution Parliamentary Committee.

91 Chapter 5 in Raftopoulos, 2013 .

92 'New Cabinet Appointed', *The Herald*, 13 February 2009. Following the GPA signing, a 'sticking point' was the allocation of cabinet positions, particularly the Home Affairs Ministry. Finally, on the advice of SADC, it was agreed that the MDC-T would share the portfolio with ZANU-PF on a rotating basis. Excluding the Home Affairs Ministry, ZANU-PF locked in 13 key ministries , including Defence; Lands and Land Resettlement; Mines and Mining Development; Agriculture; Youth Development, Indigenisation and Empowerment; Justice and Legal Affairs; and Media, Information and Publicity. Fourteen went to the MDC-T, and three to the MDC.

The constitution-making process was characterised by ‘peace’, ‘a sense of political tolerance’, ‘a product of a collective effort’, ‘a matter of posterity’, and ‘a form of national healing’.⁹³ Following the referendum, in which 94.5% of the votes were in favour of the new constitution, Zimbabweans now have new ways by which to judge one another’s conduct. The new constitution redefined the relationship between the state and the individual and enshrines a strong Bill of Rights. After the President signed the Constitutional Bill into law, the then Industry and Commerce Minister, Welshman Ncube, remarked that:

We finally have a constitution that we can truly call our own As we move forward to rebuild our Zimbabwe, let the challenge be of ensuring that our political and governance practices measure up to the letter and spirit of this supreme law.⁹⁴

As Zimbabwe moved forward politically, so did the international relations with the West improve. In recognition of the IG’s commitments and implementation of the GPA, the EU removed and suspended a host of measures against a number of top Zimbabwean officials and said it would work with any government formed as a result of free and fair elections.⁹⁵ However, critics argue that, it was the competition with China, who was fully involved with ZANU-PF on a number of economic and intelligence fronts, which offered an incentive for the EU and the USA to soften on sanctions before the 2013 elections.

Critics such as Raftopoulos (2013) highlight that it is important to focus not only on the MDC’s ability to manoeuvre in the IG years, but also to focus on how ZANU-PF managed to use these four years to regroup. Muzondidya (2013) argues that ZANU-PF’s strategy, consistent with its hegemonic political culture, was to engage in ‘cosmetic’ political and economic reforms that would not result in further democracy or in a loss of its historic monopoly over power. In this regard, ZANU-PF kept the strategic doors to its power – such as the security sector and the mining and agricultural industries – firmly closed. Muzondidya also summarises the corruption charges against MDC-T urban councillors that grew in number over the IG years, showing the vulnerability of a group of leaders tasting power for the first time.⁹⁶

93 President and the Prime Minister, Constitutional Affairs Minister, Deputy Prime Minister Mutambara, and COPAC co-chairs, 2012.

94 *The Standard*, 30 June 2013.

95 The USA also sent a long-time friend of Zimbabwe, American civil rights activist Andrew Young, to deliver a message from Secretary of State John Kerry on the USA’s readiness to normalise relations with Zimbabwe following free, fair and credible elections. Even Reverend Jesse Jackson paid a ‘private’ visit to the president and the prime minister (Hartwell, 2013).

96 Such cases included: ‘the Chitungwiza land scandal which resulted in the party firing all its 23 councillors in 2010; the mismanagement and looting of Council land and resources by councillors in Bindura; the Kwekwe audit report findings of 2012 which unearthed serious financial irregularities involving the under-banking of collected revenue and the Marondera corruption

Mazarire (2013) notes that ZANU-PF insiders have allegedly enriched themselves, through indigenisation and diamond mining activities, at the expense of the state, and describes them as having moved 'from socialism to capitalism'. This criticism ignores the fact that the indigenisation policy implementation was scaled up in 2010, with the gazetting the Indigenisation and Economic Empowerment (IEE) Regulations. Government now owns 100% of all alluvial diamonds in Zimbabwe as a national strategic reserve asset.⁹⁷ However, the rest of the mining sector remains under the IEE 51% equity threshold for indigenous shareholding for all mining companies whose net value is one US dollar or above. This minimum threshold means that non-indigenous Zimbabweans and foreigners cannot operate any mining concern without partnering with an indigenous player, implying a serious economic empowerment drive in this sector.

According to Chiroro (2013), although some women expressed their frustration that their participation under the IG was no more than 'tokenism and deception', Zimbabwean women continued to strive for a democratic political environment together with other civil society organisations (CSOs). The proportion of women in the lower house of parliament, for example, remained low at 15.2% during the period 2009-2012, whilst that in the upper house was 23.2%, still far below the 50% target.⁹⁸ However, CSO responses to the IG were marked by political advocacy around issues of human rights and violence often taking centre stage at the expense of developmental issues and issues of social and economic rights, rural development, poverty and inequality.

While the sanctions imposed by the US, EU and their allies all stressed the need for progress in terms of establishing democracy, respecting human rights and upholding the rule of law, limited progress was made in this regard under the IG.⁹⁹ For example, at its December 2009 Congress, ZANU-PF was determined not to carry out any reforms in the security sector, as illustrated by the passing of the following resolution: 'ZANU-PF as the party of revolution and the people's vanguard shall not allow the security forces to be the subject of any negotiation for a so-called security sector reform, ostensibly because the security forces are a product of the liberation struggle.' The party thus argued that 'calls for security sector

case which resulted in the suspension of the mayor by his party in March 2012 for receiving kickbacks from companies and individuals in return for tenders. The corruption among the party's representatives in local authorities, MDC parliamentarians and government officials, as the MDC leadership itself has admitted, has the potential to cost the party dearly during the next elections.' (Muzondidya, 2013).

97 Indigenisation and Economic Empowerment (General) Regulations: Minimum Requirements for Indigenisation Implementation Plans Submitted by Non-indigenous Businesses in the Mining Sector, General Notice 114 of 2011

98 Parliament of Zimbabwe, personal communication.

99 Chapter 6:in Raftopoulos, 2013.

reform violate Zimbabwean sovereignty'. As a result, up until the holding of the July 2013 harmonised elections, no security reforms had been carried out.¹⁰⁰

The July 2013 harmonised elections were the first to be held under the new constitution. The campaign period was unusually peaceful, compared to those in the preceding decade. President Mugabe was re-elected, and ZANU-PF won a two-thirds majority in the House of Assembly.¹⁰¹ The elections were endorsed by the AU, SADC, and COMESA, amongst other observers. The West and USA, who were not observers, noted the peacefulness and general credibility of the elections, with some of them saying the elections were 'credible but the results undesirable'.

The EU has since removed all personal sanctions, excepting for those on the first family, and the USA has generally followed suit, but leaving the problematic ZDERA in place. It is important to note that while the IG worked reasonably well during its first one-and-a-half years, it subsequently resembled a gridlock, in which nothing could move forward on the development policy front, which is typical of a 'compromise state'. For example, there were contestations even within government itself over the interpretation and application of IEE, and in particular the use of discretionary powers by the responsible minister. This was one of the major areas of discord amongst IG partners, and it highlights the importance of demand-driven policies based on social dialogue amongst partners, an important attribute of developmental states. The way these interventions were crafted and implemented, suggests the limits of supply-based policies.

The dollarisation of the economy in January 2009 ushered in a new economic dispensation of relative price stability and improved business confidence, resulting in the increase in capacity utilisation (from around 10% to around 40%) and positive economic growth (5.7%) during the year. This took the steam out of parallel market activities, eliminated arbitrage opportunities and killed off hyperinflation. Economic recovery remained highly fragile, however, because of infrastructural and other macro-economic fundamentals, and the introduction of the multi-currency system saw the country losing its monetary policy autonomy, whilst all Zimbabwe dollar denominated financial accounts were reduced to zero, and many individuals and companies losing their savings.¹⁰²

Following the formation of the IG the government launched the Short Term

100 In accepting the election date, Morgan Tsvangirai of MDC-T said that reforms should have preceded the election, as he began his election campaign.

101 Robert Mugabe won 61% of the vote to claim a seventh term as president. Morgan Tsvangirai came second with 34% of the vote. ZANU-PF party also dominated the parliamentary election winning 160 seats, against MDC-T with 49 seats.

102 So far the only compensation received by the general public in urban areas relates to the water utility bills cancellation and crediting all ZESA personal accounts with around \$169.

Emergency Recovery Programme (STERP I), March, 2009 to December, 2009 as a short term plan to stabilise the economy and anchor economic recovery.¹⁰³ However, perceived high country risk, the low savings base, the liquidity crunch, poor utilities' performances, and external debt overhang, militated against the full achievement of the STERP I objectives. STERP II was introduced as a Three Year Macro-Economic Policy and Budget Framework, 2010-2012 to consolidate and build on the macroeconomic stability attained under STERP I and foster robust economic recovery. Under STERP II, the economy grew by 11.4% in 2010 and 10.6% in 2012 before declining to 4.5% in 2013 and an estimated 3.1% in 2014,¹⁰⁴ whilst annual inflation was contained at 3.5% in January 2011. By 2013, inflation had dropped to 0.33%, amidst fears that the economy was fast sliding into a deflationary mode (ZIMSTAT, 2014). However, the economy remained fragile.

The Medium Term Plan (MTP), 2011-2015, sought to buttress the gains of STERP I and STEP II and continued guiding the economy on the recovery path. The MTP, largely viewed as an IG economic policy framework, was abandoned halfway through 2013, following a resounding election victory by ZANU-PF, but by then the economy was already losing steam in terms of real GDP growth. Zimbabwe has been experiencing a structural regression, with the acceleration of de-industrialisation and informalisation of the economy (Government of Dubai, 2015). Industrial capacity utilisation increased to 33.0% in 2009, 43.7% in 2010 and 57.2% in 2011, before declining again to 44.2% in 2012, and 39.6% in 2013.¹⁰⁵ Primary commodities (mining and agriculture) accounted for 93.5% of export earnings during the period 2009-2013

The financial sector continued to experience structural vulnerabilities arising from the lack of confidence by depositors, liquidity constraints, rising non-performing and insider loans, high lending rates and low deposit rates, the absence of an active inter-bank market and the lack of an effective lender of last resort. As of 31 December 2013, total banking sector deposits amounted to S\$4.7 billion. The bulk of deposits were on demand, affecting the ability of banks to provide long-term funding. Moreover, lending remained skewed in favour of consumption as opposed to production.

Total external public and publicly guaranteed debt (excluding RBZ and private sector external debt) stood at \$6.1 billion (49% of GDP) as of 31 December

103 Policy measures under STERP included: price and foreign currency liberalisation; duty-free importation of basic products; social protection specially targeting vulnerable groups; deregulation of restrictive exchange controls; increased support to productive sectors; and strict adherence to the Cash Budgeting System.

104 Reserve Bank of Zimbabwe, July 2014 Monetary Policy Statement.

105 Confederation of Zimbabwe Industries (CZI) Manufacturing Sector Surveys, (various years).

2012. The accumulation of external payment arrears continued to undermine the country's creditworthiness. Foreign direct investment increased from \$387 million in 2011 to \$400 million in 2012. Zimbabwe was ranked 131 out of 148 countries in 2012/13 in the World Economic Forum's Global Competitiveness Report 2012/13. Zimbabwe had a low savings to GDP ratio of 14.3% in 2010, which was well below the 25% ideally required to support any meaningful investment in the economy (ZIMSTAT, 2015.). In order to strengthen debt management, the government established the Zimbabwe Aid and Debt Management Office (ZADMO) within the Ministry of Finance in December 2010, and adopted the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDS). ZAADDS is aimed at accelerating re-engagement with creditors. In June 2013, the government adopted the IMF Staff Monitored Programme (SMP), an informal agreement between country authorities and Fund staff to monitor the implementation of the authorities' economic programme.

The IG promised to refine the FTLRP so as to compensate old farmers for improvements made on their farms whilst identifying new owners based on approved set criteria. However, this never materialised during the tenure of the IG. Despite the political and economic challenges that the country continues to face, along with outstanding legal challenges and concerns of the international community, there is a broad consensus that Zimbabwe's land reform is not reversible (Raftopoulos, 2010). The 2013 constitution has put the land issue to rest by clarifying the compensation modalities; the government will not pay for land, unless external resources are availed in this regard. However, when resources become available, it will compensate for improvements that had been made.

With economic recovery, social sectors emerged from near collapse, but in a fragile manner, as the recovery was largely supported by donors, using Multi-Donor Trust Funds.¹⁰⁶ From 2009 to 2013, hospitals were functional with essential drugs being readily available. Since 2009, schools have been operating relatively normally with low teachers' wages being supplemented by parents. Grade 7 pass rates rose from 42% in 2010 to 50.2% in 2013, and O-level pass rates

106 The Zimbabwe Multi-Donor Trust Fund (ZimFund) is funding the implementation of the \$29.65 million Urgent Water Supply and Sanitation Rehabilitation Project (UWSSRP). Other key partnerships with the UN and other donors include; the Education Transition Fund I, 2009-2010 and ETF II, 2011-2015; the Health Transition Fund, 2011-2015; and the World Bank Multi-donor Trust Fund for Health Results Innovation, 2011-2013 and 2013 onwards. The key government interventions in social protection for the period 2013-15 are underpinned by the National Action Plan for Orphans and Vulnerable Children Phase II, 2011-2015, including the Basic Education Assistance Module, and the Social Transfer Policy Framework, 2011. Other social protection programmes include: Food Deficit Mitigation Strategy; Assisted Medical Treatment Orders; Agricultural Inputs Support Programme /Vulnerable Households Input Support; and Livelihoods Support Programmes implemented by NGOs.

from 16.5% to 20.7% during the same period.¹⁰⁷ Social protection allowances, which were pegged at around \$30-40 a month in 2009 were increased to around \$90 per month by 2013, to better provide for the basic needs of the vulnerable groups. Improvements in water and sanitation were observed particularly in urban areas where tap water was generally running and was relatively safe in terms of treatment, even though the problems were not entirely resolved. Even though wages remained low, rising from an average of \$100 in 2009 to around \$350 in 2013, with the low levels of inflation, and availability of basic goods in the shops, the welfare of people relatively improved. There was a significant return to working with international development partners and other players in support of social sector recovery.

In the recovery period, the proportion of the population below the TCPL remained high at 73% in 2011/12 (ZIMSTAT, 2013). The proportion of the population below the FPL fell from 47% in 1995, to 42% in 2001, and to 23% in 2011/12. Since 2009, the HDI¹⁰⁸ has been improving to its 2013 level of 0.492^{109;110} (see Figure 6.2). Although declining, income inequality remained relatively high at 0.42 in 2011/12, down from 0.49 in 2001 (ZIMSTAT, 2013).

JULY 2013-OCTOBER 2015, A 'PRAGMATIC STATE'

The 2013 harmonised elections reinstated ZANU-PF as the ruling party in Zimbabwe. On the political front, the scramble for power was deepening both in ZANU-PF and the opposition political parties, as reflected in fierce intra-party factionalism, and party fragmentation, which led to the expulsion of some members of parliament, particularly, from the MDC-T. These developments indicate a loss of political and social cohesion, which is contrary to the tenets of a DDS. However, with regards to gender empowerment, the share of women in the lower house increased to 31.9% during 2013-2015, while that of the upper house increased to 45% during the same period.

The ZANU-PF campaign manifesto was based largely on indigenisation, empowerment and employment, reflected in the form of the Zimbabwe Agenda for

107 Ministry of Primary and Secondary Education (for Grade 7 results); Zimbabwe School Examinations Council (for 'O-level results).

108 The human development index (HDI), 2010 , (new), has three dimensions namely Health as measured by life expectancy at birth; Education as measured by mean years of schooling for adults aged 25 years and expected years of schooling for children of school going age; and Living standards as measured by gross national income (GNI) per capita (US\$ PPP).

109 In 2013, Norway with an HDI of 0.944 had the highest HDI in the world in 2013, followed by Australia (0.933) and Switzerland (0.917), whilst Niger had the lowest HDI of 0.337, followed by the Democratic Republic of Congo (0.338) and Central African Republic (0.341).

110 In 2013, Zimbabwe ranked number 156 out of 187 countries in human development. Females (0.468) had a lower HDI than males (0.515), reflecting the inequalities suffered by females mainly with regards to incomes.

Sustainable Socio-Economic Transformation (ZimAsset, 2013-2018). ZimAsset has a number of positive elements, including the adoption of results-based management, and covered four strategic clusters: (i) Food Security and Nutrition; (ii) Social Services and Poverty Eradication; (iii) Infrastructure and Utilities; and (iv) Value Addition and Beneficiation. As part of its measures to finance the implementation of ZimAsset by leveraging mineral resources, the government approved the Zimbabwe Sovereign Wealth Fund (SWF) Bill in November 2013,¹¹¹ which became law in November, 2014. The creation of the SWF is a good indication of a DDS, provided it is managed efficiently and transparently.

However, the 'new normal' environment in Zimbabwe is characterised by continued dollarisation, low economic growth, severely shrinking fiscal space, low inflation, depressed aggregate demand, continued de-industrialisation, high indebtedness, and high unemployment, particularly among the youth. With the exception of dollarisation and de-industrialisation, this 'new normal' environment is mirrored at the global level. State intervention during this period includes import restrictions and protectionism, reserved sectors under IEE, Community Share Ownership Trusts (CSOTs) under IEE, and free economic zones. In terms of land reform, the state is scaling up the pace of issuing 99-year leases to resettled farmers. In addition, land auditing has begun, to facilitate the reduction of farm sizes, and the release of land to more people.

Although the country's re-engagement with international development partners is improving, foreign capital inflows remain generally low. In October 2015, in Lima, Peru, a Zimbabwe debt clearance strategy was presented and was generally accepted by the IFIs and bilateral donors. In view of the constrained fiscal space resulting from the multi-currency regime and the public debt overhang, the government has been forced to adopt a contractionary fiscal policy regime. Increases in spending related to the March 2013 constitutional referendum, the July 2013 harmonised elections and the hosting of the United Nations World Tourism Organization in August 2013, also added pressure on the fiscus. The bulk of expenditures are recurrent, effectively crowding out capital expenditures essential for medium- and long-term recovery and growth.

In its first monetary policy statement for 2014, the RBZ announced that the Chinese Yuan Renminbi, Japanese Yen, Indian Rupee and Australian Dollar would be accepted as legal tender alongside the US Dollar, South African Rand, Botswana Pula and British Pound.¹¹² Total banking sector deposits reached an

111 It was gazetted in January 2014 and now awaits parliamentary debate. The government plans to allocate a quarter of the royalties levied on companies mining gold, diamonds, coal, coal-bed methane gas, nickel, chrome, platinum 'and such other mineral that may be specified' to the fund.

112 An increase in trade and investment between Zimbabwe and Asia spurred this move,

all-time high of about \$5.2 billion in October 2014. In addition, given the high mobile phone penetration, financial sector inclusion has improved significantly with the roll-out of various mobile financial services – valued at \$60 million in October, 2014 – such as Ecocash, One Wallet, and Telecash, a further aspect of a DDS.

The government directive to cancel the debts of local authorities and the Zimbabwe Electricity Supply Authority left the banking sector heavily exposed. Although the government has stated that the multi-currency regime will remain in place until 2018, there are fears that the deteriorating liquidity situation, including non-performing loan rates of 20% (RBZ, 2014), may force the government to revert back to the Zimbabwe dollar. The Microfinance Act, which provides for the registration, supervision and regulation of microfinance businesses in Zimbabwe, as well as amendments to the Money Lending and Rates of Interest Act and the Banking Act, was gazetted on 30 August 2013.

Amidst continued fears that the economy was fast sliding into a deflationary mode, annual inflation was 0.15% in August 2014, declining to 0% in October the same year and -2.65% in April 2015 (ZIMSTAT, 2014, 2015). Industrial capacity utilisation was estimated to be at 36.3% in 2014.¹¹³ According to CZI, 'Industries in Zimbabwe are under serious threat. Deindustrialisation has reached catastrophic levels, with dire consequences to the state of the economy', (ZIM-STAT, 2014: 6). The economy was being choked, with businesses saddled with high debts, high finance charges, high labour costs, antiquated or obsolete plant and equipment, and scarcity of long term international financial inflows. This has resulted in more company closures, leading to unemployment, low production, high imports,¹¹⁴ a narrowing tax base and the deceleration in economic growth, estimated at 3.1% in 2014.¹¹⁵ According to the 2015 Budget Statement, 4,610 companies closed down between 2011 and 2014, resulting in 55,443 employees losing their jobs.

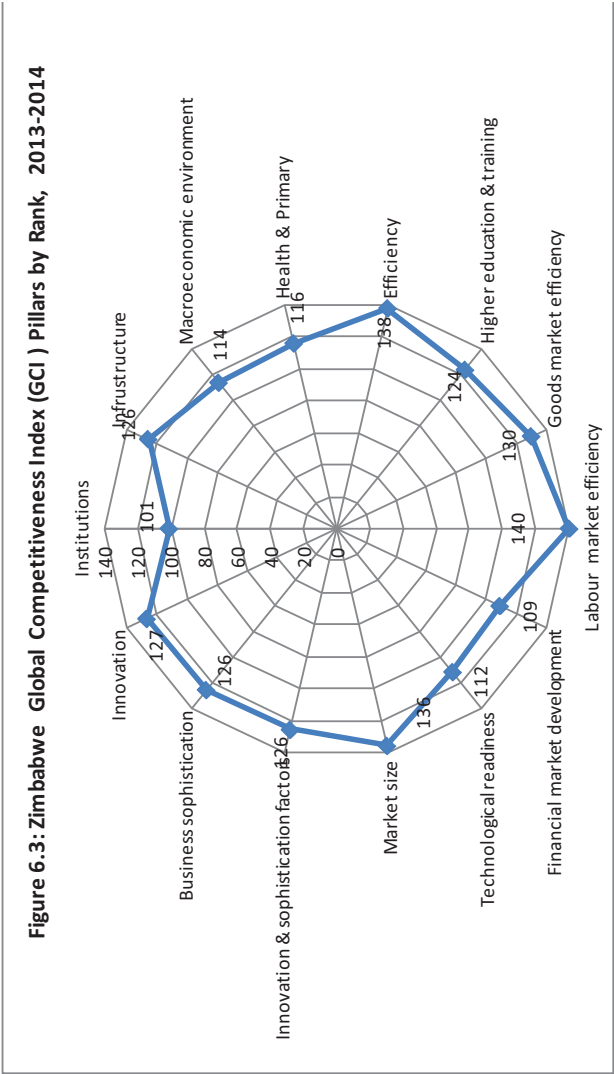
In January 2014, the IMF approved a six-month extension of the SMP to help the country establish a track record of sound macroeconomic policies and pave way for effective debt restructuring and resolution. This followed an evaluation of SMP performance in 2014 by the IMF which showed that the country was generally on course with the programme. Following the elections, the government moderated its hard-line stance on indigenisation to move more in the direction of broad-based economic empowerment.

which is expected to reduce costs and boost trade between the partners.

113 Confederation of Zimbabwe Industries (CZI) Manufacturing Sector Surveys (various years).

114 Trade balance was estimated at \$4 billion as at September, 2014 (RBZ, 2014.)

115 RBZ (2014).



Source: World Economic Forum, the Global Competitiveness Report, 2013-2014.

Starting a business in Zimbabwe remains a cumbersome, costly and time-consuming exercise. In the World Bank report, ‘Ease of Doing Business 2014’, Zimbabwe was ranked 170 out of 189 economies in terms of overall ease of doing business; in 2013, starting a business required nine procedures and took 90 days. The World Economic Forum ranked Zimbabwe 131 out of 148 countries in its 2013-14 Global Competitiveness Report. Public institutions received a poor assessment, and major concerns remain with regard to the protection of property rights, where Zimbabwe is among the lowest-ranked countries.

The fiscal challenges are hitting social sector budgets hard, particularly capital

budgets. The national budgetary allocation to health, for example, was reduced from 9.9% in 2013 to 8.2% in 2014 and 6.3% in 2015. During October and November, 2014, doctors embarked on a three-week strike for salary increases and improved working conditions. In the following April and May 2015, nurses boycotted night duty, citing low night duty allowances amongst other complaints. Overall, social sector delivery remains fragile in Zimbabwe.

CONCLUSION AND PROSPECTS

CONCLUSION

Since the end of the ‘White-Supremacist Colonial State’, Zimbabwe has experimented with five economic strategies, all with different combinations of the tenets of a transformative DDS and non-DDS. The 1980-1989 ‘Social Welfarist State’ scored positively on the social agenda, but not on the economic one, as it opted for continuity with the dualistic enclave economic model rather than for radical transformation.

The 1990-1999 ‘Weakened Rolled-Back State’ largely reversed the social gains of the first decade of independence, it did not deliver on the economic agenda under market forces. However, economic liberalisation opened up some space for civil society activism.

The 2000-2008 ‘Nationalistic State in Crisis’ period was characterised by a radical FTLRP and IEE, under an environment characterised by political polarisation, unprecedented costs in the form of the unilateral sanctions backlash, severe economic recession, and the near collapse of the social sector. While these short- and medium-term costs were very high, the transformative long-term gain of addressing the historical inequalities in land and mineral ownership, and economic empowerment for the majority, will hopefully outweigh these costs. These radical moves have set a new development template for economic empowerment for the black majority in the country, which is a central feature of a transformative DDS.

The 2009-2013 ‘Compromise State’ under ‘dollarisation and the IG’, witnessed both economic and social sector recovery, though both were fragile. Even though political polarisation was diffused and a culture of tolerance was inculcated, the IG ended up in an anti-developmental gridlock. Since July 2013, the ‘Pragmatic State’ under the ‘new normal’ environment, continues on a low-key note both on the economic and social fronts, combined with intra-party political upheavals, whose outcome and implications remain to be seen.

The analysis in this chapter clearly shows that setting up a transformative DDS is a process and not an event. Unfortunately, when such a process starts with a market-based ‘willing buyer, willing seller’ land redistribution policy, economic

transformation is not possible. Given this scenario, radical economic transformation is, by its nature, associated with structural upheavals as those who benefitted in the past seek to block any broad-based redistribution of national assets. In the meantime, democracy remains a necessary key tenet of a DDS, and in this regard, Zimbabwe should strive to adhere to clear democratic processes in driving broad-based development.

PROSPECTS

Concerted efforts must be made to dismantle all the relics of the White Supremacist Colonial State in order to free Zimbabwe to move towards broad-based, dynamic growth and development underpinned by equity, equality, prosperity, employment creation, poverty reduction, and democracy. In this regard, Zimbabwe's initiatives around extensive land redistribution and IEE initiatives are key steps in the right direction for any transformative democratic developmental state, and should be sustained, while at the same time dealing with the identified distortions and democratic deficits. Zimbabwe is well set to implement the 2016-2030 Sustainable Development Goals, which emphasise redistribution of key means of production such as land and mineral resources, to ensure inclusivity in the development process.

For a DDS, the choice is not between full control of the economy by the state on the one hand, or a free market economy on the other. What is needed is a strong transformative developmental state which addresses the skewed ownership of productive assets and other inequalities; allows wide participation of its citizens in all development processes; establishes efficient institutions; provides a conducive environment for private sector to do business and create new wealth and jobs; and balances the role of market forces with ensuring sustainable human development. A DDS should persistently pursue its transformative development agenda, without allowing derailment by external ideologies.

A people-centred DDS should protect social sectors under all circumstances. As social sector recovery is picking up, there is a need to continue to prioritise the sector in national budgets and protect their expenditures, including by sourcing donor funds. In this regard, Zimbabwe's social sector trust funds are a 'bridging' step in the right direction. Furthermore, it is important to reprioritise expenditures within the national budget to make it more developmental. While expansionary social policies, combined with comprehensive support to smallholder farmers, are developmental in nature, these need to be matched by a broad-based, dynamic economy, generating substantial wealth and employment in a sustainable and inclusive manner, supported by efficient institutions.

For the resettled farmers to be able to contribute effectively to local liveli-

hoods, national food security and broader economic development, they require investment and support. This means infrastructure, credit, inputs, technology and institutions and policies that allow agriculture to grow. Zimbabwe must embark on a comprehensive agrarian reform, including security of tenure, in order to ensure high land productivity, in support of dynamic economic growth and development.

The FTLRP succeeded in redistributing land from the white minority to the black majority, but there is still a need for intra-black and gender-balanced distribution, to ensure equity and avoid possible future uprisings. Land equity considerations should include gender, youth, disability, and other vulnerabilities in the population. A reframed land debate must encompass internal redistribution as well as redress, rights and responsibilities. In addition, the business environment needs to be improved, including demystifying the negative perceptions of IEE, in order to facilitate both domestic and foreign investment. Indeed, once the distortions are dealt with, Zimbabwe has an opportunity to achieve broad-based and inclusive pro-poor growth.

Given that the current enclave economy's industries have run their full cycle, particularly in terms of technology, a conducive environment is needed for a 'technological revolution', especially in agriculture and mining. Black entrepreneurs need support in order to dismantle economic enclavity. More importantly, there is a need to effectively support the SME drive for broad-based new wealth creation, and eventually create a new indigenous private sector in Zimbabwe as an engine of growth. Such a strategy must inevitably include the transitioning of informality to formality; this will ensure accumulation from the bottom, thus eradicating grafted capitalism and enclavity.

Emphasis is needed on accountable governance models, including the de-politicisation of national issues and dialogue. The promulgation of the Tripartite Negotiating Forum Bill that seeks to create a statutory and independent body for social dialogue along the lines of South Africa's National Economic Development and Labour Council is therefore a step in the right direction. In addition, vigorous investigation and prosecution of persons engaged in corrupt activities, will go a long way as a future deterrent.

Although the IG was a critical bridge for returning Zimbabwe to 'sanity', it could not have survived beyond 2013, given the many counterproductive tensions which were surfacing, both between the three parties, and sometimes inside them.

Another most critical issue that remains, is the potential influence of donors, especially with respect to the re-engagement process, arrears clearance and debt resolution. Zimbabwe is faced with a tough choice between continuing with the

IMF's Staff Monitoring Programme – thus risking the state's autonomy to craft and pursue autonomous policies – or else aggressively mobilising domestic resources to repay its debt arrears.

Finally, Zimbabwe needs to capitalise on the 'demographic dividend' of a youthful and highly educated population to drive broad-based development and create opportunities for integrating young men and women into productive endeavours, rather than using them for political expediency.

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TOWARDS DEVELOPMENTAL STATES IN SOUTHERN AFRICA

POST-WAR ANGOLA: THE DUAL NATURE OF GROWTH WITH- OUT DEVELOPMENT IN AN OIL RICH STATE

Jesse Salah Ovadia and Sylvia Croese

1. INTRODUCTION

This chapter focuses on the case of Angola as an example of a Southern African state that over the past decade has used natural resources to achieve impressive levels of economic growth without reaching transformative economic, political or social development as defined throughout this volume. As a result, Angola is the country with the highest GDP per capita in the Southern African Development Community (SADC) after South Africa, but together with other resource rich countries such as Botswana it is also one of SADC's most unequal societies.

Angola's current forms of socio-economic inequality can be seen to originate in colonial times, but have persisted after independence as a result of decades of civil war. In a number of ways inequality has deepened since the end of the war in 2002, despite the country's post-war economic boom. The need for developmental interventions to address the resulting challenges of poverty and inequality in Angola is therefore undeniable.

When assessing this need, it is important to keep in mind that Angola, whilst sharing most of the characteristics of other Southern African countries, diverges from most of its neighbours when it comes to its post-colonial trajectory. Although Angola formally transitioned from a socialist state into a market econo-

my in the 1990s, neo-liberal policy prescriptions never really took hold. During this transition, many state-owned companies and assets were privatised, but the availability of oil resources allowed the Angolan government to never entirely hand over the economy to institutions such as the International Monetary Fund (IMF) and World Bank, as happened in most other Southern African countries, and it never implemented any structural adjustment programmes. In addition, during the 1990s the country's on-going civil war and economic crisis created a very restricted environment for the private sector, leading to the emergence of a vast parallel informal economy. Meanwhile, the heart of the economy – oil exploration – has always remained under the firm control of the state-owned oil company, Sonangol.

Since the end of the war, the Angolan government has remained relatively independent of external influence. Unlike in other post-conflict countries in the region, post-war reconstruction in Angola has not been financed by the West, but largely through oil-backed credit lines from countries such as China. A context of increasing global energy insecurity has further diminished the West's leverage over the Angolan government's choice and implementation of developmental policies, as the consolidation of the presence of Western (oil) companies has taken precedence over the imposition of standards of good governance and transparency.

Meanwhile, a lengthy and sustained commodities boom, increased interest in African oil from both the US and China and a number of other factors have created new possibilities for state-led development that result from the specificity of the current historical moment for oil production in the Gulf of Guinea.

Oil-fuelled state interventionism over the past decade has in some ways been effective and successful. After the war came to an end, the Angolan government, led by long-standing President José Eduardo dos Santos, consolidated its control over the national territory and the economy, bringing down the hyperinflation that crippled the economy in the war years to about 7%. Significant investments have been made in the rehabilitation and construction of new infrastructure all over the country and sectors such as construction, finance and retail have been booming. While the cost of living and doing business are still extremely high, post-war reconstruction has allowed for growing investments into the economy and the emergence of an urban middle class. From this perspective, Angola has surpassed the state of dysfunctionality and failure that characterised the country in the 1990s, when the country was seen as a prime example of the resource curse.¹

1 For a classic example of the resource curse hypothesis, see Karl (1997). For a more contemporary discussion, see Ross (2012). For an alternative perspective, see Saad-Filho and Weeks (2013).

While this shows that the potential for petro-development in post-war Angola exists (Ovadia 2015a), when it comes to the reduction of inequality and eradication of poverty the Angolan government has been far less successful. Moreover, the top-down manner with which the government has intervened in the economy, deriving from its highly modernist views of development,² has done little to strengthen state institutions or to allow for transparency and public participation. While the policies underpinning post-war reconstruction can be seen as developmental, at least in their intent, post-war Angola therefore far from represents a ‘democratic developmental state’, defined for the purpose of this study as ‘an ethical, transparent, participatory and accountable state that is underpinned by a developmental ideology and a serious commitment to deploy its administrative and political resources to the task of achieving socio-economic development’. Instead, post-war developmental policies reflect what Ovadia (2012) calls a ‘dual nature’ in the sense that they provide potential for economic growth while reinforcing the power and wealth of the elite. This type of state-led and elite-driven approach to development presents significant obstacles, both for sustaining current levels of growth and for this growth to translate into pro-poor, inclusive and sustainable development in the longer term.

The chapter starts by providing some historical and contextual background on Angola’s post-independence and post-war years. Thereafter, two case studies are presented to illustrate the ways in which the Angolan government has used oil for developmental purposes during the first decade following the end of the war. The first case study focuses on local content policy in the oil industry, while the second analyses state-led housing development. This is followed by an analysis of the central elements of state interventions in post-war Angola – namely economic diversification and non-oil development, state investment in infrastructure and the role of the state oil company Sonangol. The chapter will end with some concluding thoughts and remarks on the limits and prospects of Angola’s post-war growth without development.

2. HISTORY AND CONTEXT

An understanding of development in post-independent Angola is not complete without an understanding of Portuguese colonial rule. During most of the pre-colonial era, Portugal’s relations with Angola were dominated by the slave trade and few Portuguese settlers lived in the colony.³ Up to the second half of the twentieth century, Portugal was economically underdeveloped and politically

2 For more on the influence of high modernity/the modernising vision of the Angolan elite, see Soares de Oliveira (2015) or Ovadia (2015).

3 According to Newitt (2007) about two million slaves were exported from the ports of Angola between 1600 and the second half of the nineteenth century.

highly authoritarian. Its reluctance to give up its overseas colonies led to a hasty exit rather than a negotiated transition to independence and the civil war that followed only came to an end in 2002.

This section starts by shedding some light on the first decades of post-independence, which were marked by conflict and a collapse of the economy. This is followed by an analysis of the decade following the end of the war, which contrasts oil-fuelled economic growth and reconstruction with deepening economic, political and social inequalities.

2.1 ANGOLA'S POST-INDEPENDENCE WAR YEARS: FROM SOCIALIST STATE-BUILDING TO CAPITALIST STATE PRIVATISATION

As in many other African countries that chose to align with the socialist bloc after gaining independence, the main pillars of state-building during the first years of independence in Angola were state-led development or 'national reconstruction' and political education.

In economic terms, this mainly involved achieving pre-independence production levels. In political terms, 'national reconstruction' meant bringing power to the Angolan people, although under the strict control of the 'revolutionary vanguard, the Popular Movement of the Liberation of the People [MPLA], with the aim of defending, consolidating and developing the revolutionary conquests of the popular masses' (Law 1/76 of 5 February). However, the conditions for this type of post-colonial state-building were highly precarious.

Before independence, Angola had been one of the top five coffee producers in the world. Together with products such as cotton, sisal, and sugar, coffee had constituted over 60% of the country's exports, although this declined to less than 45% by 1970 as exports of mineral products such as diamonds, iron ore and oil grew (Whitaker, 1979: 206). The strength of the agriculture and mining sectors led to a spectacular economic boom. However, the benefits of this boom had been largely limited to and controlled by the Portuguese settler population living in Luanda, as well as a number of other selected coastal towns and provinces (de Carvalho et al., 2011: 43-45). Portuguese efforts to make economic and social development more inclusive only came in response to the armed struggle for liberation that started in 1961. These efforts included opening up the colony to foreign capital in order to stimulate economic growth, revoking the statute of the *indigenato*⁴ (Bender, 2004: 149-155) and passing reforms in the area of labour and education (Heimer, 1979: 12-13). Yet, this did little to stop the armed strug-

4 This was a Colonial Act from 1930 which only allowed those blacks and people of mixed race who were considered to be sufficiently assimilated to become legal citizens. However, by 1950 only 0.7% of over 4 million blacks had achieved this status and little progress was made since then. See Bender (2004).

gle and after the fall of the Portuguese government in April 1974, decolonisation became inevitable.

Cuban military assistance proved to be crucial for the MPLA to secure its hold over the capital of Luanda in the face of a mounting offensive by rival liberation movements. With US and South African support, rival liberation movements FNLA (National Front for the Liberation of Angola) and UNITA (National Union for the Total Independence of Angola) managed to take over the entire southern part of the country in the run-up to the planned date of independence. It was only thanks to an increase in Soviet arms supplies and the last-minute arrival of thousands of Cuban troops that the MPLA was able to unilaterally proclaim the People's Republic of Angola in Luanda on 11 November 1975 (Hodges, 1976: 55-56).

Yet, the departure of about 90% of the estimated 335,000 to 350,000 Portuguese settlers left the country stripped of its technical capacity and soon it spiralled into economic collapse (Sogge, 1992; Soares de Oliveira, 2015). As part of its socialist national reconstruction project, the MPLA government nationalised all assets left behind by the Portuguese, including land. Cuban comrades helped the MPLA to take hold of cities in areas formerly controlled by UNITA and to start rolling out a series of programmes in the social sector. These programmes covered the area of health, with large medical teams being posted to hospitals in Luanda and clinics being opened across the country to provide basic treatment to people living in remote areas. By 1978, three-quarters of all doctors working in Angola were Cuban. To develop the education sector, Cuba offered scholarships to Angolans and sent around 2,000 teachers (of all levels) to the country. The third and largest branch of Cuban non-military assistance to Angola was technical aid given to reconstruct infrastructure and build new houses for people in the cities (George, 2005: 158-161).

Not less importantly, Cuban support also contributed to the violent suppression of internal factionalism in the party. After the 'attempted coup' and subsequent purges of 1977 (Pawson, 2014), the MPLA's people's power project was drastically reformed by suspending any local elections and by purging the party of possible enemies and centralising party control over state and society. In addition, Cuban military support included the protection of the country's oil platforms and military assistance to fight UNITA. This ironically allowed for American multinationals to continue exploring oil despite US support for UNITA. With military assistance from the US-backed apartheid regime in South Africa, UNITA gathered strength from the early 1980s onwards, occupying significant parts of the country and even establishing a bush capital, called Jamba, in the south-east of the country near the border with Namibia. During this time, oil revenues virtu-

ally stopped being used to invest in social development. Instead, military spending totalled up to half the national budget each year and in 1990 it constituted about four times the expenditures on health and education combined (Sogge, 1992: 117-118; Pereira, 1994: 10).

After the crash in oil prices in the mid-1980s, economic reforms were introduced. By then, the Cubans had started leaving Angola under the Tripartite Accord of 1988 in return for South Africa's retreat from Angola and Namibia (leading to the latter country's independence in 1990). Socialism was officially relinquished as a state ideology and the country started transitioning from a state-led to a market economy. While Angola became a member of the World Bank and IMF in 1989, these institutions did not manage to exert much influence over the outcomes of these reforms (Hodges, 2004). Under the Bicesse Accords of 1991, a new constitution was adopted and multi-party elections were held in 1992. However, UNITA rejected the outcome after losing the first round of the elections and fighting resumed. Although the end of the Cold War and the fall of the apartheid government in South Africa had led to dwindling external support for both the MPLA and UNITA, both parties managed to stay afloat through their control over oil and diamond exploration respectively. As a result, a second peace agreement signed between the two parties in 1994, the Lusaka Protocol, equally did not hold.

By then, what agriculture, manufacturing and other economic activities were possible given the devastation of the war were additionally impacted by 'Dutch Disease', a phenomenon associated with the resource curse.⁵ The resulting artificially strong currency not only made it impossible for local production to compete with imports, it also made Angola's capital, Luanda, one of the most expensive cities in the world. The provision of public services largely came to be managed by international NGOs, while the privatisation of state assets, state imports and the accompanying parallel black market served to appease the politically connected and other strategic sectors of the (urban) population (Messiant, 1992: 23). However, as the country's economic and humanitarian crisis deepened, with hyperinflation peaking at an annual rate of 12,035% in July 1996, the dos Santos government, in power since 1979, became subject to increasing criticism. Calls started circulating to protest on the streets against government

5 The term 'Dutch disease' originates from a crisis in the Netherlands in the 1960s that resulted from the discovery of vast natural gas deposits in the North Sea. This resulted in the sharp appreciation of the Dutch guilder, rendering non-oil products less competitive on the world market. The term is now widely used to refer to changes in the structure of production associated with a favourable shock, such as the discovery of large deposits of natural resources or a rise in the international price of an exportable commodity perceived to be permanent. Such structural changes include a contraction or stagnation of other tradable sectors of the economy, accompanied by an appreciation of the country's real exchange rate.

corruption, while the Angolan church, media and a growing civil society became increasingly vocal about the need for the war to end (Messiant, 2001: 306-307; also Comerford, 2005). In a bid to appease social unrest and improve his image, President dos Santos fired the country's prime minister and launched a populist economic reform programme which introduced a fixed exchange rate, rigid import licensing procedures and price controls. As a result, inflation was reduced somewhat, even though this went against IMF advice and significantly increased public domestic debt (Hodges, 2004: 106-107). Meanwhile, corruption continued unabated with on average 36% of government expenditure between 1998 and 2002 being off-budget and 11% not being accounted for at all. A large portion of the missing funds disappeared into the 'Bermuda triangle' between the state oil company Sonangol, the Treasury and the National Bank (Hodges, 2004). While some of these funds were used for arms purchases, considerable amounts were used for the personal enrichment of President dos Santos and those connected to him (Global Witness, 2002; Hodges 2004: 166).

2.2 ANGOLA'S POST-WAR YEARS: ECONOMIC GROWTH IN A CONTEXT OF DEEPENING INEQUALITIES

In 1999, UNITA's headquarters in Jamba as well as the last urban centres it held in the country's Central Highlands fell to the government's armed forces and in February 2002 UNITA leader Jonas Savimbi was killed, bringing an end to the war. By then, decades of war had resulted in a serious humanitarian crisis. Most of the infrastructure that had been left by the Portuguese or built up under post-independence national reconstruction had been destroyed, large areas of the country were mined and an estimated three to four million people were internally displaced, almost 30% of the total population (IMF, 2003). However, international aid to rebuild the country would depend on the government improving transparency in the management of its oil revenues and reconstruction being guided by poverty reduction strategies and IMF-monitored economic and financial reforms (Tvedten and Orre, 2003; Pacheco, 2006).

The MPLA government initially seemed to give in to these demands, introducing some improvements in the financial management of oil resources and approving a poverty reduction strategy. However, in 2003 negotiations with the IMF collapsed again. Subsequent medium and long-term development plans such as the current National Development Plan for 2013 to 2017 (Governo de Angola, 2012) and the government's vision for Angola in 2025 (Governo de Angola, 2007) follow the initial poverty reduction strategy, reflecting mainstream liberal principles regarding the importance of transparency and good governance. Yet, increasing oil revenues have limited the extent to which external actors have been

able to enforce the implementation of these principles.

Nevertheless, in the first post-war years, Angola's real GDP growth increased from 3.3% in 2003 to 23.4% in 2007, turning it into one of the world's fastest growing economies. De Carvalho et al. (2011: 68-69) attribute this growth to a number of factors. Firstly, oil production doubled. Combined with an increase in oil prices per barrel on the international market (from \$28.2 to \$61.4 in 2006 and peaking at over \$130 in 2008) this resulted in unexpectedly high revenues for the government, allowing it to reduce external debt and increase foreign reserves. More effective macro-economic policies and a better implementation of policy measures by the Bank of Angola to stabilise the nominal exchange rate in turn significantly contributed to the reduction of inflation and the value of the national currency, the Kwanza.

Currently, Angola is sub-Saharan Africa's second largest oil producer after Nigeria with an estimated 10 billion barrels of proven oil reserves. Most of this oil is explored off-shore and increasingly in deep waters. Oil revenues account for over three quarters of domestic revenues, almost half of the country's GDP and just under 98% of the total value of Angola's exports (EIU, 2013; IMF, 2014b). While very important for the local development of the diamond-rich provinces of Lunda Norte and Lunda Sul, diamonds only account for about 1.8% of national exports. Nonetheless, they represent 6.7% of world diamond production by volume and about 8% by value.⁶

While Angola is a member state of regional organisations such as SADC, the government mainly holds trade and investment relations with countries outside of the continent. It has made little effort towards regional integration and it has not joined the SADC Free Trade Area (Redvers, 2013).

Using oil as collateral for credit allowed the government to contract loans with a total value of over \$15 billion, the largest being oil-backed loans extended by China, as well as Brazil and Israel (World Bank, 2007: 50-51). These loans were used to finance the construction and rehabilitation of public infrastructure such as roads, seaports and airports, improving access to and mobility inside the country. Combined with increased government as well as foreign investment this allowed for significant growth of the non-oil sector at nearly 17% a year between 2003 and 2007. This growth initially took place mainly in government-dominated sectors such as construction and finance, but also in energy, fisheries, agriculture, manufacturing and retail (AfDB, 2014).

From the end of the war until 2008, the country's GDP grew ten times, reaching nearly \$85 billion. Along with South Africa, Angola's GDP now accounts for

6 USGS Minerals Yearbook Angola 2011, available at <http://minerals.usgs.gov/minerals/pubs/country/2011/myb3-2011-ao.pdf>

almost 80% of the total GDP of the 15 members of SADC, while it is one of only six countries having a GDP per capita above \$5,000 after expanding at an annual average rate of 4.7% in the last three years (IMF, 2014a).

This growth allows Angola to make public investments that dwarf those of the countries in the region. However, despite massive investments in national reconstruction in post-war years, various structural forms of inequality continue to exist in the country today (see also de Carvalho et al. 2011).

Economic, political and social inequality

The colonial economy and socio-economic policies and practices of the Portuguese in Angola laid the groundwork for a highly unequal society (de Carvalho et al., 2011). Following more than 30 years of war and enormous devastation, the MPLA government faced an extraordinarily challenging situation. While the government managed to significantly reduce inflation in the first post-war years due to a fiscal adjustment based on non-oil primary deficit reduction, exchange rate stability and tight liquidity conditions, along with its broad strategy of economic diversification, it still struggles to keep a single digit inflation as a result of the country's heavy dependence on imported goods to meet domestic demand (Banco Nacional de Angola, 2012). This underlines the extent to which the country's economy continues to be dominated by the oil sector despite several years of solid growth in the non-oil sectors of the economy. It also explains the significance of Sonangol, which collects oil revenues, owns large stakes in every oil block and has expanded its activities in recent years from exploration and production to every other sector of the economy. The Sonangol group's activities include not only various oil services and downstream activities (refining and distribution), but also transportation, manufacturing, real estate, construction, telecommunications, insurance and financial services (Heller, 2012).

Employment opportunities, higher average incomes and relatively better living conditions have sustained previous war-time migration to the city and resulted in the emergence of an urban middle class. However, those who have seen enough increased income to join Angola's new middle class is still very limited, as GDP growth is highly unequally distributed. There are also several indications that the gap between the rich and poor is widening. While hard numbers are difficult to find, the United Nations Development Programme (UNDP) estimates that Angola's Gini index for 2000-2010 was 58.6, while 54.3% of the population lived below \$1.25 per day (UNDP, 2010: 154). These numbers make Angola among the most unequal countries not just in SADC but also in the world.⁷ Economic

7 By 2014, both numbers had dropped significantly with the Gini for 2003-2012 dropping to 42.7 (United Nations Development Programme, 2014: 170). However, with the impact of the financial crisis on Angola it is hard to know what this lower Gini coefficient represents.

inequality is also reflected geographically, with wealth concentrated in urban areas, particularly in Luanda.⁸

While the safety of the city was the most obvious reason for the extremely rapid urbanisation that occurred during the war, urban growth has since continued unabated as most post-war reconstruction efforts are concentrated in the capital. The results from the first post-independence census that was carried out only in 2014 indicate that the total population of Angola is currently 25.8 million (INE, 2016). This is not large considering the size of the country, but it is four times more than what the country's population was during the last census in 1970. High fertility rates (6.4 births for each woman) and low life expectancy (48 years at birth) make the Angolan population a young one, with almost half of the population being under 15 years old (INE, 2011).

Although Luanda is the smallest province in the country, representing a mere 0.18% of the national territory, it is inhabited by almost a third of the country's population. When including the adjacent province of Bengo and the capital of the coastal province of Benguela, this figure rises to 40%, and when including the capitals of the central province of Huambo (Huambo) and the south-western province of Huíla (Lubango) this rises to 60% (Alves da Rocha, 2010: 42).

Between 2003 and 2007, Luanda accounted for an average of 74% of the national GDP, while in 2007, 55% of all companies were established in the capital, generating 77% of jobs in the private sector and 27% of jobs in the public sector (Alves da Rocha, 2010: 54-59). The importance of the capital is illustrated by the fact that on average, about 30% of public investments in the national state budget is allocated to Luanda. However, two-thirds of the Luanda's population still depends on the informal sector for its survival and lives in overcrowded informal settlements (INE, 2010). Moreover, a concentration of resources in the capital has resulted in continued rural-urban migration due to a lack of services and employment opportunities in the country's interior provinces, as well as a lack of adequate support for the agricultural sector which sustains a large number of the country's population. It is estimated that in 2008 the agricultural sector employed roughly 4.7 million Angolans, the majority of whom were involved in smallholder agriculture. This accounts for 63% of the total working population (Governo de Angola, 2009).

In addition to the concentration of economic growth and activities in Luanda, political power is also highly centralised in the capital. The centralisation of power equally has its origins in colonial rule and equally deepened in post-in-

8 Even during socialism, state-building efforts mainly benefitted the urban population and politically connected elites as two thirds of the population lived in rural areas and party membership was relatively low, especially after party rectification (Somerville, 1986: 96-97).

dependence times as the ruling government's presence was largely confined to the capital and the exigencies of war were used to justify the concentration of powers in the executive branch of government. In post-war years, despite the official transition to multi-party democracy, one-party dominance has been consolidated through the ruling party's control over the state, which allows it to control the conditions under which elections are held. This secured the MPLA's victory in the elections of 2008 and 2012. While opposition parties, including a newly created coalition called CASA-CE (Broad Convergence for the Salvation of Angola-Electoral Coalition), managed to win a combined 30% of the votes in the latest elections, their power is limited due to the government's control of the state and independent media (Vidal and Pinto de Andrade, 2008). With external development funding diminishing, the role of civil society organisations is equally limited in effectively challenging the ruling party's hegemony. In this context, manifestations have emerged as an alternative way to express discontent. Since 2011, over 30 anti-government demonstrations have taken place in Luanda as well as elsewhere in the country (Amnesty International, 2014). In addition, social media have come up as an alternative way to voice civic discontent.

While the new constitution adopted in 2010 protects the right to freedom of speech and manifestation, it also centralises power in the Presidency, allowing it to control the legislative and judicial branch of government. Moreover, the introduction of a presidential-parliamentary system has allowed President dos Santos to rule for another two five-year terms. This could potentially keep him in power until 2022.

Municipal elections have not been held since the first multi-party elections of 1992. Long promised, they have been continually postponed. This means that at the local level there are no elected local officials and no autonomous budgets. Although recently more emphasis has been directed to the importance of local development plans, about 90% of the state budget is allocated to and controlled by the central government (Udelsmann Rodrigues, 2011). Moreover, despite increasing investments in the social sector, a significant part of the state budget continues to be destined for military spending. According to the Stockholm International Peace Research Institute (SIPRI), Angolan defence spending for 2013 stood at \$6.5 billion, a 36% increase from the previous year. By 2013 rankings, this made Angola the top defence spender in Sub-Saharan Africa after South Africa and the second top defence spender on the continent after Algeria.⁹

While Angola's human development index (HDI) has significantly improved, from 0.405 in 2000 to 0.526 in 2013, the country still ranks 149 out of 187 countries. This puts it in the low human development category. When this value

9 See SIPRI Military Expenditure Database on <http://milexdata.sipri.org/>

is discounted for inequality, the HDI falls even lower to 0.295 (UNDP, 2014).¹⁰ Table 1 summarises the key economic indicators for the period 2000-2013.

Table 1. Key Indicators, Angola

	2000	2005	2010	2011	2012	2013
HDI Value	0.405	0.446	0.504	0.521	0.524	0.526
GDP per capita	\$656	\$1,707	\$4,219	\$5,159	\$5,539	\$5,668
GDP Growth	3.0	18.3	3.4	3.9	5.2	4.1
Non-Oil GDP Growth	-	-	7.6	9.5	5.6	5.8
GINI	58.6	-	42.7	-	-	-
Inflation	325.0	23.0	14.5	13.5	10.3	8.8
FDI Inflows (% of GDP)	9.6	-4.6	-3.9	-2.9	-6.0	-3.5
Investment (% of GDP)	13.8	8.8	12.7	11.4	13.6	16.0

Sources: *World Bank, IMF, United Nations Development Programme.*

3. CASE STUDIES OF PETRO-DEVELOPMENT

With persistently high levels of poverty and inequality and a stagnant democratisation process, despite rapid economic growth, contemporary Angola is a paradox of incredible growth alongside poverty, inequality and authoritarianism. Oil has contributed to the existence of, in the words of Hodges (2007: 175), ‘a system of patronage that can successfully buy off or co-opt potential rivals and opponents at an order of magnitude that has few parallels elsewhere in Sub-Saharan Africa’. Yet, the promotion of local content in the oil and gas industry and the construction of public housing by the state are illustrative of a simultaneous acknowledgement of the need for economic and social development in the country and the use of oil for this purpose. It is therefore to these two case studies that we now turn.

3.1 LOCAL CONTENT POLICIES IN ANGOLA’S OIL AND GAS SECTOR

Oil extraction in Angola, as in many other parts of the world, takes place in secured enclaves that are largely separated from the rest of the country (Ferguson, 2005). Oil mining is capital intensive, requiring a relatively small amount of human labour. The labour required is largely highly skilled. During Angola’s civil war, oil mining operations in Cabinda were defended by elite soldiers, many of whom ironically were Cuban, as well as private security (Shaxson, 2007; Reed, 2009). Described as a ‘sprawling American-style suburb... complete with an 18-hole golf course’ (Soares de Oliveira, 2007a: 108) the facilities of the Gulf Oil Company were a world apart from the war-ravaged cities and countryside. Most

¹⁰ The Inequality-adjusted HDI can be found on <http://hdr.undp.org/en/content/inequality-adjusted-hdi>

of the jobs were done by expatriate oil workers. Although the end of the civil war in 2002 marked a new chapter for Angola, the oil industry remains a largely insignificant employer, with less than 0.21% of Angolans employed in oil exploration and production (CEIC, 2010).

Given the lack of local benefit and the potential for various negative outcomes, it would be reasonable to ask why a country would even allow for oil extraction. A recent UNDP report on the extractive industries and development notes that, '[t]he exploitation of non-renewable natural resources has often triggered violent conflicts, degraded the environment, worsened gender and other inequalities, displaced communities, and undermined democratic governance.' At the same time, it goes on to argue that 'there are plenty of cases where the effective management of a society's natural resources has unleashed sustainable and equitable human development.' The UNDP report goes on to note that, '[i]t is the design and implementation of a broad set of policies that determines whether countries can harness extractive resources for sustainable development for all' (UNDP, 2012: 3). If correct, this analysis suggests the need to look at which policies can promote greater developmental outcomes and in what circumstances. This approach is at the centre of what makes a state developmental.

An introduction to local content in oil and gas

There are, according to Esteves et al. (2013) different strategies that governments can adopt to maximise the benefits of natural resources and allow oil, gas and mining to contribute to expanding the local industrial base. These are the strategies of royalty and tax revenue maximisation and local content maximisation. These strategies encompass the strategy of the Africa Mining Vision (AMV), a programme of the African Union and United Nations Economic Commission for Africa (UNECA), which identifies the need to take advantage of resource endowment opportunities to underpin diversification, growth and development.¹¹ The AMV discusses these opportunities in terms of resource rents (revenues), collateral use of infrastructure to combat Dutch disease, downstream value addition, upstream value addition and technology/product development through targeted investment in human resources and research and development.

In most successful cases of oil-backed development, both strategies were used in ways that complemented each other. However, in Angola, as in many other underdeveloped but resource-rich countries, the focus was largely on oil revenues. Although the civil war complicates the issue for Angola, what made matters worse is that the focus was not on how these revenues could be used for development, but rather, as described above, how they could be used to fortify the power

¹¹ For more on the AMV and its relation to local content and natural resource governance, see Ovadia (2014).

of the president and the governing MPLA.

Of the two strategies, maximising the rents from royalties and tax revenues is the most self-explanatory. Local content policies (LCPs) on the other hand require more explanation. LCPs help maximise the local contribution to a given industry through regulation and requirements for participation of local labour and firms supplying goods and services. This form of state intervention is opposed on ideological grounds by advocates of market liberalism. However, over time many international institutions have come to advocate them. Although it professes to make no arguments for or against LCPs, even the World Bank in a massive 197-page report on LCPs now acknowledges that while they have achieved mixed results in practice, ‘LCPs have the potential to stimulate broad-based economic development, which is necessary to alleviate poverty and achieve the United Nation’s Millennium Development Goals (MDGs)’ (Tordo et al. 2013: xi).

Angola did pursue LCPs from independence, particularly in terms of laws and regulations requiring the hiring of Angolan workers – a policy known locally as ‘*Angolanização*’ (Ovadia, 2012). At the same time, there can be little doubt that, as the Angola case study produced along with the World Bank report notes, ‘Angola’s oil wealth has not been efficiently managed to the benefit of the economy and the population at large’ (Tordo et al. 2013: 25). The issues they cite of a lack of transparency, high poverty, lost revenues and human rights complaints will be discussed in further detail below.

The importance of local content policies

In recent years, Angola has pursued both strategies mentioned by Esteves et al. (2013). Oil revenues have been used since the end of the war to finance the construction and rehabilitation of infrastructure and other development programmes in the context of post-war reconstruction. At the same time, local content policies have become an increasingly important tool in overall state industrial policy to maximise the benefit from petroleum wealth by promoting wider and more diverse economic growth. For the remainder of this section, the discussion will be limited to how Angola can maximise local content to promote economic growth and industrialisation. According to OSISA’s 2013 report on Angola’s oil operations, annual oil revenues for 2011 were \$37.99 billion (OSISA, 2013: 14). Obviously, this is an enormous amount of money to be put towards the country’s economic development. However, the importance of LCPs for retaining investment in the Angolan economy, promoting backward and forward linkages from the oil sector to the non-oil economy, creating jobs in oil service companies and beyond and fostering economic growth is often overlooked. In short, local content is about encouraging local businesses, building local manufacturing and

protecting these enterprises so they can succeed in the oil services sector and then expand beyond it.

In his analysis of linkages to manufacturing from the Angolan oil and gas industry, Teka (2012: 464) calculates the total capital investment in oilfield services in Angola from 2004-2010 to be over \$52 billion (see Table 2). Teka focuses on subsea umbilicals, risers and flowlines (SURF), equipment used to transport oil from the underwater well to the surface. In the SURF sector, labour represents roughly 20% of operating expenses (Teka, 2012: 465). A significant portion of this will already be captured in the local economy, but a very small percentage of remaining investment, aside from basic services, will be captured in-country. While there is no solid measure of the overall local content in backward linkages to oil services, it is generally assumed by experts and oil industry insiders to currently be 10-15%. For the period 2004-2010, it was likely somewhat lower. Given the level of investment calculated by Teka, an increase of 10% in local content due to LCPs would have retained over \$5 billion in the national economy during that period. With this in mind, the significance of LCPs comes into focus – especially given that annual investment in the Angolan oil industry is now thought to be more than \$15 billion (Governo de Angola, 2010b).¹²

Table 2. Investment in oilfield services (2004-2010)

Sub-sector	Capital Expenditure
Engineering	\$4,125,000,000
Procurement, construction and installation	\$4,246,000,000
Systems, equipment, piping and valves	\$2,111,000,000
SURF control lines and flowlines	\$10,832,000,000
Subsea production systems	\$5,808,000,000
Subsea services	\$787,000,000
Rigs and drilling	\$11,784,000,000
Drilling systems	\$3,385,000,000
Downhole Services	\$9,158,000,000
Decommissioning	\$1,000,000
Total	\$52,237,000,000

Source: Adapted from Teka (2012)

Angola's current LCPs are found in a variety of laws, regulations and production sharing agreements (PSAs) between the state and international oil companies (IOCs) operating various concessions. A summary of major LCP tools is found

12 According to Angola's Ministry of Petroleum, investment in the oil industry was just under \$16.5 billion in 2009, up from \$13 billion in 2008. This investment came 74.2 % from IOCs, 24 % from the state (including Sonangol), and less than 2% from national oil companies (MINPET, 2010).

in Figure 1. Local content in terms of labour (*Angolanização*) is governed by Decree-Law No. 17/2009 of 26 June, which states that the IOCs ‘shall be under the obligation to fill their staff positions, at all levels and in all positions, with Angolan citizens’, but allows that ‘should it be demonstrated that there is not a sufficient number of duly qualified and experienced Angolan citizens available in the national labour market, foreign personnel may only be hired with prior authorisation from the Ministry of Petroleum’. *Angolanização* is monitored and enforced by the Ministry of Petroleum.

In terms of goods and services, Decree No. 127/2003 of 25 November promotes local content by requiring that where the cost is no more than 10% higher, basic goods and services be provided only by Angolan companies, more specialised goods and services be provided by foreign firms in joint venture agreements with Angolan companies, and allows foreign firms to compete on equal terms only for highly specialised goods and services. The procurement of goods and services by IOCs is managed by the national oil company and concessionaire, Sonangol. This is done through the company’s power to approve tenders. While Tordo and Anouti point to Decree No. 48/06 of 1 September as the source for this authority, there are actually tighter regulations empowering Sonangol to approve procurement in the PSAs (Ovadia, 2012). Sonangol is also reported to be working on a new local content plan in coordination with the Ministry of Petroleum (Teka, 2012; Ovadia, 2012).

Figure 1. Summary of local content policy tools in Angola

Angolanisation	Domestic Sourcing of Goods and Services
Recruitment: Ministry of Petroleum to approve the recruitment of any foreign worker Ministry of Petroleum to approve annual recruitment plans Training: Companies to offer capacity-building programmes to be approved by Ministry of Petroleum Companies to contribute to a training and development fund managed by the Ministry of Petroleum Replacement of foreign workforce: Companies to meet Angolanization targets by job grade set by the Ministry of Petroleum	Exclusivity to Angolan businesses for sourcing of goods and services that require limited capital and non-specialised know-how Semi-compliance for goods and services requiring a reasonable level of capital and limited level of specialised capabilities, requiring joint ventures between domestic and international companies Local companies, with at least 51% of the capital being owned by Angolans, to be offered: Fiscal incentives including the exemption from or reduction of industrial, income, import and other taxes Financial support in the form of subsidies, loans, promotional venture capital, access to agreed private management funds and financial guarantees Technical support Special rights privileges in awarding concessions

Source: Adapted from Tordo et al. (2013)

Early successes and complex challenges

Whereas early efforts at *Angolanização* and other forms of ‘resource nationalism’ (Vivoda, 2009) met stiff resistance from the international oil industry and were in fact never terribly successful in Angola (Ovadia, 2012), LCPs have over time gained significantly greater legitimacy and have been able to increase local participation in the oil industry. This legitimacy and cooperation, not only from the World Bank and other international institutions, but also from IOCs, is perhaps the greatest success so far when it comes to local content promotion. Reflecting the conviction with which Angolan officials have conveyed their support for local content, Heller (2012: 858) writes that ‘most international officials who work in Angola indicate that Sonangol is tougher about local content and places more emphasis on it than counterpart companies in other countries’.

However, there are several major challenges facing local content in Angola. The World Bank case study of Angola names four categories of challenges for domestic firms: infrastructure and engineering equipment inadequacy; insufficient financial resources to drive change; low level of technical expertise; and lack of collaborative efforts (Tordo et. al. 2013: 36). According to Ovadia, there are three sets of additional/overlapping concerns. These involve the human capacity of Angolan labour, the capacity of Angolan companies to make quality goods and services, and the conflicting roles of Sonangol as regulator, operator, and joint venture partner in many service companies (Ovadia, 2012: 410-413). While questions of capacity and resources are certainly important, this section will cover issues of transparency and corruption while the conflicting roles of Sonangol will be discussed further below.

OSISA’s report on Angola’s oil operations notes that in the oil sector, ‘[e]vidence points to Angolan public officials’ beneficial ownership of, and shareholdings in, Angolan companies that have been awarded oil contracts – in violation of Angolan and international law.’ This, the report argues, is because ‘T[t]he principle of confidentiality enshrined in Angolan oil laws encourages corruption and creates a pathway for the diversion of oil revenues.’ It goes on to note that while Angola has strong laws on corruption, ‘Angola does not have a politically independent anti-corruption institution with a mandate to investigate and prosecute corruption cases’ and that ‘[t]here are agencies with some level of accounting mandate, but many of these report to the president’ (OSISA, 2013: 1).

The issues of transparency and corruption pervade discussions of Angola and the Angolan state. In the Natural Resource Governance Institute’s (formerly Revenue Watch Institute) recent Resource Governance Index, Angola received a ‘weak’ overall score of 42, ranking 41st out of 58 countries. The biggest con-

cerns were corruption and the rule of law (NRGI, 2013). On the World Bank's Ease of Doing Business Index (2013), Angola is currently ranked 179/189 and on Transparency International's Corruptions Perceptions Index (2013) it ranked 153/177.¹³

OSISA writes that, 'in Angola, political institutions that provide checks and balances to potential malfeasance in the oil industry are weak – or non-existent' (OSISA, 2013: 11). The new \$5 billion Angola Sovereign Wealth Fund launched in 2012 raises similar governance concerns. Apart from the fact that its chairman is one of President dos Santos' sons, there is little information about how the fund, which has a mixed focus on social as well as financial returns, will be resourced and how it will make investment decisions (Redvers, 2014).¹⁴ These governance questions make questionable an otherwise defensible position that the fund should have developmental objectives, as there is legitimate concern that the fund will be used to further the interests of individual members of the elite.

The clearest evidence of corruption and manifestation of weak institutions is found with regard to the problem of unaccounted funds. During the civil war, unaccounted funds that disappeared in the so-called 'Bermuda Triangle' were largely used for purchasing arms as in the 'Angolagate' scandal documented by the international NGO Global Witness (GW) and others (GW, 2002; Hodges, 2004). Unaccounted funds in the period 1997-2003 amounted to \$4.22 billion, while in more recent years the NGO Human Rights Watch (HRW) demanded that Angola explain \$32 billion that the IMF found to be missing over the period 2007-2010 (HRW, 2011). While many of these discrepancies were later accounted for, and according to the IMF 95% of the money has been found and reconciliation for 2007-2010 is ongoing (IMF, 2014b: 10), the remaining 5% still amounts to over \$1.5 billion.

OSISA goes on to note several other concerns. Some of these, like the need for greater transparency and public information about the oil sector so that Angolan citizens, journalists, members of the National Assembly and watchdog groups can help ensure the responsible use of oil rents are quite important. Others, like the report's concern with the new tax rate for the domestic oil industry, are less so (OSISA, 2013: 14). Contrary to the implication in OSISA's report, giving tax breaks and protection to domestic oil companies is a perfectly legitimate and effective development strategy – especially when, as in this case, they are granted to the whole domestic sector instead of to individual capitalists. However, local content policies will always be about privileging local capitalists and protecting

13 See <http://www.doingbusiness.org/rankings> and <http://cpi.transparency.org/cpi2013/results/>

14 "Blurred lines" on Angolan wealth fund', *Mail & Guardian*, 12 September 2014.

strategic industries (Ovadia, 2013). These policies will then only be in the country's best interest overall if they can promote growth not only in the oil services industry but also in non-oil economic development and industrialisation.

Local content policies and non-oil economic development

While oil service companies employ significantly more Angolans than oil companies themselves, total employment in OSCs still only stands at 0.72% compared to 0.21% (CEIC, 2010). In theory, the way LCPs benefit development (besides retaining capital in the national economy) goes beyond the oil services sector by boosting the non-oil economy. As noted by the World Bank, Angola is '[c]ontinuously reforming industrial policies to promote growth and diversification' (World Bank, 2014: 4).

Local content potentially boosts demand for a variety of goods and services that can be supplied to the oil industry and the non-oil industry. In this way, LCPs help anchor industrial development in the oil sector, while allowing it to expand beyond it. An example of how this may be working in Angola is found in the World Bank's report on local content: 'Local industrial capacity has been created in the manufacturing of umbilicals, risers, and flowlines, which is helping to create a demand for metal working capabilities (thus potentially benefiting other sectors such as construction and infrastructure). Other local services companies provide sale, contracting, and after-sale services' (Tordo et al. 2013: 96).

While crude oil exports make up the vast majority of Angola's GDP, non-oil growth has also been steady in recent years and continues on the basis of investments in transportation and power infrastructure as well as the growth in construction and manufacturing. According to the IMF, non-oil growth is expected to reach 6.4%, although some of this is based on a recovery of the agricultural sector from a drought in 2012 (IMF, 2014b: 5). Growth by sector is presented in Table 3.

While LCPs may protect local industries in some respects, they may be detrimental in others. According to Esteves et al. (2013: 6-7), 'demand for local goods as a result of local content policies can result in inflationary effect over certain basic goods that make them unaffordable for the local population'. Additionally, they note, 'the impact on the local economy is limited when goods supplied to oil, gas and mining companies are merely imported, repackaged and resold by local firms.' These concerns suggest the state must go beyond policies to promote local content and SME development. State-led development through natural resources also requires constraining political patronage and increasing public spending in key non-oil sectors such as agriculture and supporting the Angolan financial sector to boost the effectiveness of monetary policy and combat capital flight.

Table 3. Gross Domestic Product by Sector (Annual Growth Rates)

	2009	2010	2011	2012	2013*
Agriculture and Fishing	27.7	5.9	11.4	-22.5	8.6
Manufacturing	5.3	10.7	8.4	14.0	8.0
Electricity	21.3	10.9	15.0	10.4	22.4
Construction	23.7	16.1	6.8	11.7	7.6
Commerce	-1.5	8.8	12.3	13.4	5.4
Services	6.0	4.5	8.2	11.0	5.0
Import Duties	3.2	4.2	3.9	0.0	0.0
Extractive Industries – Petroleum	-5.1	-3.0	-5.6	4.3	0.6
Extractive Industries – Other	4.6	-10.3	-3.3	0.3	6.6
Non-Oil GDP Growth	8.1	7.6	9.4	5.5	6.3
Total GDP Growth	2.4	3.4	3.8	5.1	4.4

Source: World Bank (2014)

**Estimates*

With regard to the financial sector, there is one final LCP that has recently come into effect. Local content is often thought of as being about drills, rigs, and other highly specialised equipment. However, oil companies also require insurance, information and communications technology, and financial services. All of these sectors may be boosted if IOCs are required to use local companies in these areas. In 2012, new foreign exchange regulations were passed requiring oil companies to settle all tax obligations and payments for goods and services from foreign companies from foreign currency accounts in Angolan banks and to pay Angolan taxes and settle all payments for goods and services to Angolans in the national currency. The new policy is a big boost to the Angolan financial industry. Despite concerns from IOCs and international financial institutions of potential negative effects, since its implementation in 2013 there have been few difficulties and even the IMF agrees the policy has improved market operations, provided greater effectiveness to monetary policy and should help stem capital flight (Staines, 2013; IMF, 2014b).

Manufacturing and services are also at the centre of the new potential for non-oil growth anchored in the oil industry through local content policies. The importance of these sectors can be seen by examining Table 3. Unfortunately, there is little empirical evidence at this time to suggest how successful Angola's oil-backed local content push has been or to link strong non-oil growth to local content policies. A local content master plan remains absent and it is difficult to see exactly how local content fits into national development. Such national plans to coordinate the industrial sector were crucial to the success of the East Asian

developmental states. Additionally, the government excludes citizens and civil society organisations from contributing to or even being informed about policy and new initiatives.

The government of Angola through the Ministry of Petroleum and Sonangol have clearly embraced LCPs as a means to maximise the benefit from petroleum resources. Despite a lack of empirical evidence that there have been positive effects to date and an increasingly severe short-term impact from the global oil price shock that saw prices drop more than 50% between the beginning of the last quarter of 2014 and end of the first quarter of 2015, there is reason to believe that LCPs can contribute to economic growth and diversification in the future. Additionally, LCPs fit into a broader strategy of public investment, development planning and protection for domestic industries.

3.2 OIL FOR STATE-LED HOUSING DEVELOPMENT

In addition to the use of local content in the oil and gas industry to promote economic development, the Angolan government's efforts to finance the construction of public housing can be seen as addressing the need for social development in the country. These efforts have been largely concentrated in Luanda, where average urban growth is projected to be higher (5.8%) than in any other southern African city in the years from 2005 to 2010 (UN-Habitat, 2008: 137). Currently, the city accommodates an estimated six to seven million inhabitants of which two thirds live in informal settlements in the periphery and 60% on less than \$2 a day (DW and CEHS, 2005; CEIC, 2010). The lack of the use of proper construction materials for self-built housing, as well as the lack of access to basic sanitation, water and electricity have led the government to conclude that as much as 90.9% of the Angolan urban population lives in 'inappropriate conditions' (INE, 2010), while the total formal housing deficit has been calculated to reach 1.7 million houses (PortalAngop, 2013). The provision of decent and affordable housing could then form an important contribution to the combat of social and economic inequalities by improving health and living standards, as well as creating jobs and opportunities for wealth generation.

An introduction to the state's role in housing in Angola

Government efforts to promote better housing date back to the first years of independence. Under colonialism, most Angolans were excluded from living in city centres. By 1960, the municipality of Luanda was divided in three neighbourhoods. The first was the planned 'white town', which accommodated only 19% of the population but almost 47% of the white population of Luanda. Basic services and overall urban management generally did not reach beyond this neighbourhood. The other two neighbourhoods housed the rest of the population.

The majority of inhabitants in these areas were black (Amaral, 1968: 64). In the last years of colonisation, the Portuguese made some efforts to address what was by then already called a 'housing crisis', for instance by building houses for the working classes and the commissioning of master plans which foresaw the construction of satellite cities to deconcentrate urban growth (Albuquerque Mourão, 2006). However, the impact of these efforts was limited as most Portuguese left the country before the full implementation of these plans.

In the first years of independence, most of the houses and properties left behind by the Portuguese were illegally occupied. The nationalisation of all land and housing previously owned by the Portuguese turned these occupants into tenants of the state. Some efforts were also made to upgrade informal settlements and to organise land allotment to facilitate self-help building. However, state-built housing, with assistance from Cuba and to a lesser extent Yugoslavia and the Soviet Union, became the main government practice. Between 1977 and 1987, about 3,000 five-storey flats were built by the Cubans, mainly in Luanda and the adjacent provinces of Benguela and Kwanza Sul (Greger, 1990: 138). Yet, after a peak in 1985, from 1987 onwards the investment in housing in the cities had fallen to almost zero and informal and unregulated building became the most common form of construction in the cities (Amado et al., 1992: 45).

Luanda's population reached almost one million inhabitants in 1980, up from about 500,000 around independence. This growth was a result of a massive influx of exiles from Zaire,¹⁵ as well as migrants from the countryside (Robson and Roque, 2001: 29-31). While the state was the main landlord, owning both the colonial housing stock as well as those houses built in the first years of independence, it did not have the funds or capacity to maintain them. With the transition to the market economy in the early 1990s, it privatised its housing stock, selling houses off for symbolic prices.

In the run-up to the end of the war, efforts started to be made to redevelop the capital city. The south-eastern part of Luanda was targeted for expansion in order to provide high-end residential construction for expatriates as well as to resettle internally displaced people and populations living in areas of the city that were to be redeveloped. In the first years after the end of the war, a project was also set up to provide housing for public servants, while a project developed outside Luanda was aimed at accommodating war veterans. Yet, despite these projects, state intervention in housing was marked more by large-scale demolitions of houses of the urban poor rather than their construction (Amnesty International,

15 These started to return after the settling of peace with Zaire in 1978. Until then, Mobutu had supported the Kinshasa-based FNLA. The peace opened the way for the return to Angola of tens of thousands of old Bakongo exiles, who had fled northern Angola in the aftermath of the 1961 uprisings, and their Zaire-born children.

2003; HRW, 2007). For the majority of city dwellers, formal housing remained out of reach as a result of a shortage of supply, expensive construction materials and a lack of affordable access to housing finance (FinMark Trust, 2010).

Post-war housing policies

Until 2006, the Angolan government did not have any specific policies related to housing. In the first years after the end of the war, it had concentrated on replacing the colonial laws on land and urban planning and creating the institutional framework for the management of the new laws by creating a Ministry of Urbanism and Environment and a National Housing Institute, as well as an Urban Planning and Management Institute for Luanda.

In 2006, an official Housing Policy was approved, which identified the need for a series of interventions with a view of guaranteeing the universal right to housing. This was followed by the adoption of a Framework Law on housing in 2007, which established the existence of a Housing Fund that was meant for ‘all public, private and cooperative entities that promote the construction of social houses and for citizens in general’ (Law 3/07 of 3 September).

In the run-up to the legislative elections of September 2008, the ruling party announced a plan to build one million houses throughout the country by 2012, which was subsequently reformulated under the National Urbanism and Housing Programme in 2009. Under the slogan *Meu sonho, minha casa* (‘My dream, my house’), this Programme established that out of the one million houses, 685,000 were to be constructed through ‘self-help building’ (*autoconstrução*), 115,000 houses by the government, 120,000 by the private sector and 80,000 through cooperatives. However, the state remained responsible for the development of land and infrastructure through the identification of state land reserves, access to credit for housing through a Housing Fund as well as the provision of subsidised construction material to enable self-help building through the *Nossa Casa* (‘Our House’) project. This turned the state into the ‘guide, organiser and regulator of the National Urbanism and Housing Programme’ (Resolution 77/09 of 7 September).

While the legal and institutional framework would allow for a multi-faceted approach to housing development, practice has shown that just as in the early post-independence years, state-built housing has come to be the government’s main strategy. Moreover, the progress of this strategy has increasingly come to depend on the availability of oil-backed credit lines, mainly from China (Croese, 2012). In 2004, a US\$2 billion oil-backed credit line extended by China’s Export-Import (Exim) Bank had come to constitute the main source of funding for Angola’s Public Investment Programme for the period 2004-2006, financing over

100 contracts in the areas of health, education, energy and water, agriculture, transport, social communication and public works. This credit line was extended in 2007 with another US\$2.5 billion to finance complementary actions to projects from the first credit line as well as an additional 100 projects (Vines and Campos, 2008: 5-8). Another credit line to the value of US\$9.8 billion from a private entity called the China International Fund (CIF) was announced in 2005 with the aim of financing the study and execution of upgrading and rehabilitation works in the city of Luanda, an engineering, procurement and construction contract for a new international airport of Luanda, the construction of 215,000 housing units, and the elaboration of a plan for a 'New City of Luanda' (Resolution 61/06 of 4 September). Whereas the Angolan Ministry of Finance managed Exim Bank funding, a presidential Office of National Reconstruction (*Gabinete de Reconstrução Nacional* or GRN) was created to manage the special projects financed through this credit line.

Figure 2. Main policy tools and institutions for post-war housing and urban development

Law 3/04 of 25 June	Regulates urbanism and territorial planning
Law 9/04 of 9 November	Regulates land
Decree 12/04 of 9 March	Creates National Institute of Housing
Resolution 60/06 of 4 September	Adopts government housing promotion policy
Decree 6/07 of 6 February	Creates Urban Planning and Management Institute for Luanda
Decrees 62-65/07 of 13 August	Constitutes state land reserves for the construction of new cities in Luanda province
Law 3/07 of 3 September	Adopts Housing Framework
Decrees 80-112/08 of 26 September	Constitutes state land reserves in the provinces of Cune-ne, Uíge, Zaire, Namibe, Bié, Luanda, Benguela, Cabinda, Cuando Cubango, Huíla, Lunda Norte, Lunda Sul, Kwanza Sul, Kwanza Norte and Huambo
Resolution 20/09 of 11 March	Approves National Urbanism and Housing Programme
Dispatch 9/09 of 31 March	Creates National Commission for the Implementation of the National Urbanism and Housing Programme
Resolution 76/09	Approves <i>Nossa Casa</i> project
Decree 54/09 of 28 September	Regulates and structures the Housing Fund

While \$50 billion had initially been announced to be allocated for the implementation of the National Housing Programme, this did not turn out to be feasible. The CIF credit line, reduced from the announced US\$9.8 billion to US\$2.9 billion in 2007, had fallen through, forcing the Ministry of Finance to secure domestic funding through the sale of treasury bonds (Corkin, 2013: 135-136;

Vines et al., 2009: 53). After a drop in oil revenues due to the global financial crisis in 2008 and 2009, the Angolan government owed a total of \$6.8 billion to companies that had executed Public Investment projects and little progress had been made on the implementation of the housing programme (Governo de Angola, 2010a).

In 2010, President dos Santos took over the coordination of the implementation of the National Urbanism and Housing Programme and the management and financing of housing projects that were already underway was reorganised. These included the Kilamba project, a new satellite town that was being built in the periphery of Luanda. The reported \$3.5 billion contract for this project had initially been signed in 2007 by the representative of the GRN and CITIC Group, a Chinese state-owned company. However, since then the CIF credit line under which the contract was to be financed had fallen through. In order to pay for the services that were in arrears to CITIC Group, the state oil company Sonangol was mobilised (Corkin, 2013: 138). An IMF report confirms that in this period Sonangol not only financed housing, but also railway, rehabilitation, and other infrastructure projects, including special economic zones (IMF, 2012: 34). Sonangol was also tasked to take over the management and commercialisation of the 20,000 apartments under construction in Kilamba as well as housing projects previously planned to be managed through the Office for National Reconstruction.

To secure the financing for these additional housing projects, additional credit lines were negotiated. These include \$1 billion from the Brazil Export Trust Fund announced in 2010 after a visit from President dos Santos to his counterpart in Brazil, making Angola the largest beneficiary of this Fund (Itamaraty, 2010). Under this Fund, as well as under credit lines extended by the National Economic and Social Development Bank of Brazil, Brazilian companies have been contracted to execute infrastructure and construction projects in Angola, including social housing development in Luanda. As part of a total of \$14.5 billion in Chinese credit-lines, \$1.5 billion from the China Development Bank and \$2.5 billion from the Industrial and Commercial Bank of China were announced to be used to finance urban infrastructure development. This development will reportedly include the construction of housing in two of Luanda's oldest neighbourhoods, Cazenga and Sambizanga, as part of the redevelopment of the northern part of the city, as well as the construction of 100,000 houses in various provinces of the country.¹⁶ Finally, under a \$750 million oil-backed credit line from the Israeli LR Group, Sonangol entered into a partnership with an Israeli company to develop

16 'China Quer Aumentar Áreas de Cooperação', *Jornal de Angola*, 21 March 2011.

housing projects in various provinces of the country.¹⁷

The availability of these new credit lines and partnerships explains the reformulation of the National Urbanism and Housing Programme in 2011, with Sonangol and the government emerging as the main drivers in the implementation of the programme.

Figure 3. Targets for the National Urbanism and Housing Programme 2009-2012

	2009	2011
Self-help building	685,000 (420,000 urban and 265,000 rural)	420,000 (urban, of which 10,000 plots to be delivered by Sonangol)
Private sector (2009) Sonangol (2011)	120,000	120,000
Government	115,000	56 new urban areas with 144,037 social dwellings (including 10,000 self-built dwellings)
Cooperatives (2009) Private sector (2011)	80,000	80,000
Total	1,000,000	644,037

Source: *Angolan Press in Croese* (2012: 136)

Since 2011, most of the state-built housing that has been delivered has consisted of mass housing projects financed through oil-backed credit lines and built by Chinese companies, such as the Cacuaco (Sequele), Km 44 and Zango *Condomínio Vida Pacífica* ('Peaceful life compound') housing projects in Luanda. Together with the Kilamba project, these projects are expected to add about 70,000 units to the formal housing stock. Outside of Luanda, Chinese-built housing projects are underway in the provinces of Malange, Lunda Norte and Cabinda. In addition, under the Israeli credit line and in partnership with Sonangol, housing projects are being built in the provinces of Bié, Huambo, Moxico, Kwanza Sul, Uíge and Luanda, totaling a reported 40,000 houses. Finally, in 2012 a programme was launched which envisages the construction of 200 houses in each municipality of the country as part of a Municipal Integrated Programme of Rural Development and the Combat against Poverty.

Early successes and current challenges

There were initially doubts and scepticism about the state's ability to implement the Housing Programme. Upon the inauguration of the new city of Kilamba in 2011, international observers branded it as a Chinese ghost town as initially very few people moved to the city (BBC News, 2012). When more affordable rental and buying schemes were introduced, this changed significantly and the first

17 'O Nome de Código é Kora', *Exame Angola*, 16 March 2011.

phase of the project is now almost fully inhabited. Studies on the Angolan property market indicate that state-built housing projects in the capital have expanded the formal housing stock, making housing available at more affordable rates. In addition, areas surrounding state housing projects have attracted additional housing development for middle and lower income segments of the population by private developers (ProPrime, 2014).

The use of oil-backed credit lines to finance housing development has circumvented the volatility of the oil market and the potential risk-averseness of private developers. As experts have pointed out, oil-backed loans are not repaid in kind (meaning, through oil shipments); rather, oil functions as a kind of collateral. The proceeds of oil sales are deposited into the borrower's account as a means of guaranteeing payment. This has essentially turned most credit lines into revolving credit facilities to finance construction and infrastructure contracts (Brautigam, 2009; Alves, 2010; Corkin, 2013). Furthermore, Alves points out (2013: 120) that compared to contexts in which power is more decentralised, 'the linear and uncontested authority chain, rooted in the presidency-Sonangol nexus, ensures the executive easy control over developments [financed by] the [oil] sector'.

However, there are a number of limitations to the centralised use of oil resources for housing development. Indeed, most of the state housing projects implemented so far are controlled by the Presidency or special agencies responding to the Presidency, such as the GRN and state oil company Sonangol, with minimal roles for the institutions and local governments officially responsible for urban planning and development. This has limited opportunities for the strengthening of the capacity of local and regular state structures which remain responsible for land management and infrastructure, but have not benefited from the same support and resources as special agencies tasked with housing construction.

While civil society groups were still consulted in the first years after the end of the war, for instance regarding the new land law that was adopted in 2004, there has been little or no consultation of civil society organisations on the housing laws and policies that were adopted in subsequent years. This has resulted in a singular focus on housing construction, with little space for input from NGOs that stress the importance of community-based pro-poor urban development¹⁸ or for professional interest organisations that advocate the importance of the basic conditions needed for the maintenance of a solid real estate market, such as a well regulated housing market which includes affordable housing finance, a working population that is included in the banking system, access to land and land titles, the existence of a specialised labour force and a well-established con-

18 See for instance the work of the Angolan NGO Development Workshop, see <http://www.dw.angonet.org/>

struction material market.¹⁹

By using oil revenues to outsource the construction of housing through external financial as well as material inputs, the government has also limited opportunities for local industries to contribute to the implementation of the housing programme. In her study on Angola's management of China's credit lines, Corkin concludes that, in general, 'the Angolan government has not actively promoted, and has in fact deliberately weakened, the circumstances under which local participation in national reconstruction through Chinese-financed construction projects could occur' (Corkin, 2013: 99).

Furthermore, reports regarding the opaque private China International Fund indicate that while this entity is no longer a major credit provider to the Angolan government, it continues to play an important role as an effective broker for Angolan oil sales to China, in a complex web involving Angolan government officials as high as the former Sonangol chair and current vice-president of the Republic, Manuel Vicente (The Economist, 2011; Murray et al., 2011). In this light, it is troubling that no evaluation has yet been carried out of the implementation of the national housing programme and information on its progress is scattered. While the inauguration of mass housing projects is widely publicised, there is virtually no information on the progress of other parts of the housing programme such as self-help building. For instance, a report on the performance of the executive branch of government in the second semester of 2011 discusses the progress of a number of housing projects but states that no information is available regarding land for self-help building, apart from the establishment of 214 land reserves before 2009 (Governo de Angola, 2011: 34-39).

On the other hand, the National Development Plan for 2013 to 2017 only reports numbers from the Ministry of Urbanism and Construction, stating that in 2012 6,670 houses were built in projects under the Ministry's auspices. Numbers on housing projects managed by or together with the state oil company were being updated (Governo de Angola, 2012: 125). Meanwhile, the MPLA election programme for the same period claimed that the MPLA government would finish implementing the National Urbanism and Housing Programme by 2014 (MPLA, 2012: 66). Moreover, the lack of information on the exact terms of all the credit lines used to finance housing projects also limits the extent of public scrutiny on how the funds are spent.

19 See for instance Angolan Association of Real Estate Professionals (APIMA), *Diagnóstico Sector Imobiliário em Angola* (A diagnosis of the real estate sector in Angola), see <http://www.apima.co.ao/>

4. THE DUAL NATURE OF POST-WAR DEVELOPMENTAL INTERVENTIONS

Despite the resource curse, oil resources offer multiple avenues for states to pursue development. Petro-development involves both the reinvestment and redistribution of oil revenues in ways that further developmental goals as well as policies to promote local content. However, our analysis of local content as pursued in Angola as well as the case of state-led housing development demonstrates that development has been pursued disingenuously. While the intention to implement policies with a developmental benefit might be real, there is a dual nature to the policy choices made by the Angolan elites.

Angola faces immense development challenges, yet its developmental policies reflect a clash between economic growth on the one hand and social, political and human development on the other. Indeed, Angola is an excellent foil for larger ideological debates about development and underdevelopment. However, our analysis is not as simple as that, as the choice to focus on local content in oil and gas and on housing might suggest. Neither local content policy nor housing policy can be said to promote one facet of development at the expense of the other. Rather, in both cases, the potential exists for government policies to directly contribute to sustainable improvement of human well-being and quality of everyday life, and for government policies to benefit the few much more than it benefits the many as it reinforces the undemocratic and top-down nature of MPLA rule. While both developmental and anti-developmental outcomes may exist alongside each other in the short term, the lack of transparency and accountability are likely to severely damage the country in the longer term.

To further bolster this argument, the following section analyses the central elements of state-led development in post-war Angola, namely economic diversification and non-oil development, state investment in infrastructure and the role of the state oil company Sonangol.

Policies to promote economic diversification and non-oil economic development

Economic growth, while not an end in and of itself, is an important element of sustainable human development. It is also an element that can be measured to assess recent economic performance. GDP growth, due to crude oil exports, has significance for national employment. Growth in non-oil GDP is much more indicative of higher employment and therefore of human well-being. However, it may have little connection to human development in terms of impact upon the important concerns of reducing income inequality and poverty. Nevertheless, with unemployment in the range of 25% by World Bank estimates, the

imperative for non-oil growth and economic diversification in Angola is clear (Tordo et al., 2013). Therefore, this section will examine non-oil development, programmes specifically designed to encourage diversification and plan for future economic and social development. We will highlight both the gains made through the implementation of development policies and programmes and the challenges in overcoming inequality and predatory behaviour.

OSISA praises the Angolan government for its 2012 announcement that it would invest \$1.8 billion ‘to help create SMEs, develop existing ones and reduce the economy’s dependence on the state’, adding that, ‘[t]he government is the country’s biggest employer and support for SMEs, particularly through credit extension, would go a long way towards enabling sustainable development in Angola’ (OSISA, 2013: 22). The promotion of economic diversification is important when using oil for development. It is also important in order to combat the effects of ‘Dutch Disease’ (see note 5).

According to the World Bank, Angola currently supports the non-oil sector through a number of programmes, including *Angola Investe* (‘Angola Invests’), which focuses on expanding access to credit among micro, small and medium enterprises, and the more recent *Crédito Agrícola de Campanha* (Agricultural Credit Programme) *Programa de Aquisição de Produtos Agrícolas* (‘Agricultural Products Marketing Programme’). The latter ‘will enable smallholder farmers to consolidate their goods and sell them directly to processors via centralised marketing points, obviating the inefficient current system in which numerous spot transactions are conducted through intermediary traders’ (World Bank, 2014: 4).

Although they do not go beyond funding to provide Business Development Services,²⁰ these examples are precisely the kinds of interventions needed – both to promote broad-based, inclusive economic growth, and, more importantly, to further human development.²¹ However, with reference to the agricultural sector, Ovadia (2015) has found that state policy has largely failed small farmers. Research conducted by an Angolan NGO indicates that only 2.2% of the total US\$170 million in loans given to farmers under the Agricultural Credit Programme was repaid. Moreover, only 5% of smallholder farmers benefitted from the scheme (Gomes, 2015). Nevertheless, with the exception of a drought in 2012, agricultural growth has been strong and has benefitted immensely from

20 Business Development Services are promoted by the International Labour Organization (ILO). For more, see <http://ilo.org/empent/areas/business-development-services-bds/lang--en/index.htm>

21 Perhaps the most important intervention in terms of human development, however, would be redistribution of land. Although land reform in Angola is beyond the scope of this analysis, see Cain (2013) for an in-depth discussion.

the end of the war and new investment in infrastructure to enable farmers to get their produce to the market.

Angola Investe assists micro, small and medium enterprises (MSMEs) by guaranteeing up to 70% of the value of a small-business loan. According to the World Bank, the programme partially insured 187 loans in 2013. They conclude that ‘the program appears to be successful thus far, and it may significantly bolster growth among MSMEs’ (World Bank, 2014: 13-14). Unfortunately, it is too early to see if these programmes can turn around the history of failed state agricultural development programmes.

While Angola’s economy grew less rapidly in 2013, the non-oil economy expanded rapidly. Real GDP grew by 4.4% overall, yet non-oil GDP growth was 6.3%. These statistics have led the World Bank to conclude that ‘the non-oil sector is experiencing robust growth’ (World Bank, 2014: i). Manufacturing and services are a large part of this growth. As with agriculture, government investment in infrastructure (which will be discussed further below) was crucial to the expansion of these sectors. According to the African Economic Outlook report for 2014, Angola’s GDP is projected to grow strongly, reaching 7.9% in 2014 and 8.8% in 2015 (AfDB, 2014).

While numerous diversification schemes do exist for agriculture, as well as for industrial development, they do not always give the impression that they are part of a well-thought-out strategy or that they are guided by informed planning and budgeting. According to a report from the Chr. Michelsen Institute, poor revenue forecasting is making planning very difficult for the Angolan government (Fjeldstad et al., 2014). Although they focus more on the need for forecasting for designing sound fiscal policies, such a capacity is needed for the preparation of the state budget and in this way for development planning as a whole.

It is easy, perhaps too easy, to suggest however that the Angolan state lacks the capacity to be developmental or to design and implement good policies for fostering economic diversification and non-oil economic growth. Stiglitz writes:

Critics of the relevance of the development state and industrial policies for Africa sometimes argue that many of the countries in the region don’t have the institutional capacity. But this misses two key points. When many of the Asian countries began their development trajectories, their states too were underdeveloped. They developed these capacities. The full-fledged development state does not arrive like manna from heaven overnight; it has to be constructed and along the way there is a continuum of ‘developmentalist’ states with varying capacities (Stiglitz, 2013: 6-7).

Stiglitz’s argument reinforces our own view that the extent to which Angola can be considered a developmental state depends not so much on the current capacity of the bureaucracy, but on the policies being put in place to promote

pro-poor economic growth, democratic governance and human development, and whether they are well-crafted and likely to succeed. As we know, growth does not necessarily go hand in hand with development. Yet, economic growth accompanied by increasing inequality will not alleviate poverty or promote human well-being. As described above, Angola's growing inequality significantly undermines human development.

Making matters worse, inequality in Angola is on the rise as many development projects have contributed to elite enrichment rather than broad-based development. A case in point is the government's support for biofuels. OSISA's 2013 report on the Angolan oil industry notes: 'While the country relies heavily on food imports, the government has set its sights on the development of biofuels – calling into question the allocation of fertile land for crops that are not intended to produce food for domestic consumption' (OSISA, 2013: 34). The problem with biofuels however is not just that they come at the expense of agricultural production, but also that they typify the unequal and predatory aspects of how the Angolan state operates.

The centrepiece of the government's biofuels promotion is a massive investment of \$200-\$500 million (figures differ in various sources) in a processing plant in Malanje, run by the Companhia de Bionergia de Angola (Biocom). Biocom is a joint venture between Brazil's Odebrecht and Angola's Damer Indústria. The plant will not only produce ethanol, but also sugar – an important agricultural product which Angola is currently importing in large quantities. The government has taken a very active role in the project not only by approving and promoting it, but as a major shareholder. Biocom is owned 40% by Odebrecht, 40% by Damer Indústria and 20% by Sonangol. While investing in for-profit enterprises is a legitimate mechanism for promoting industrial development, more troubling than Sonangol's investment is the ownership of Damer Indústria. According to the Angolan human rights activist Rafael Marques de Morais, the company is owned by General Kopelipa, head of the military and General Leopoldino Frago-so do Nascimento in partnership with Angola's Vice-President, Manuel Vincente (Marques de Morais, 2010a).

At the time Biocom was set up, Vicente was the CEO of Sonangol. These same three men are also behind Nazaki Oil and Gáz, whose dealings with the American oil company Cobalt International Energy have put Cobalt under investigation by the US Securities and Exchange Commission and Department of Justice.²² The ownership of Biocom by public officials brings the government into disrepute. These officials have used their offices for their own personal benefit, a clear act of corruption. Biocom is an example of a state-led project that is more about illicit

22 'Cobalt to Fight SEC Corruption Allegations', *Financial Times*, 5 August 2014.

gains for the ruling elite than national development. Such activities significantly undermine democratic governance and the accountability of public officials. Furthermore, Biocom has been accused of gross mistreatment of its workers. In 2014, Odebrecht was being investigated by the Brazilian government over ‘slave labour’ conditions at the Biocom project in Angola (Vieira, 2014).

Taken together, while the example of economic diversification and non-oil growth through biofuels demonstrates a concern with development interventions in Angola, so far the project seems to have increased the wealth and power of the ruling elite at the expense of human development.

Investment in infrastructure

Public investment in infrastructure – state-built housing being an important example – has represented the centrepiece of the Angolan government’s approach to promoting economic growth and human development and is likely the most visible example of Angola’s post-war reconstruction and development programmes. There is a strong link between investment in infrastructure and non-oil economic growth. In the words of the World Bank, ‘[b]oosting the non-oil sector requires high quality infrastructure. The Public Investment Management system is instrumental in ensuring a high quality of public infrastructure. The Angolan government has made considerable efforts to enhance the quality of the system but challenges remain’ (World Bank, 2014: i).

The East Asian experience suggests that developmental states will need to invest a large portion of their GDP in economic transformation. Angola’s investment ratio of 16%, shown in Table 1 above, is made up largely of public investment. According to the World Bank, Angola’s investment ratio is ‘below the three-year average for Sub-Saharan Africa (SSA) of 24%’ (World Bank, 2013: vi). It can be difficult to assess the significance of some economic data in Angola given the civil war context and general reliability of GDP figures. With respect to public and private investment, it is also difficult to know what is being counted and what is not. What seems clear, however, is that investment is crucial to Angola’s development, that more investment and more equitable distribution of that investment is greatly needed, and that the investment to date has had significant impacts.

The investment that has had perhaps the biggest and most immediate impact on non-oil GDP growth is the expansion of the electricity sector, despite remaining deficits. According to the World Bank, ‘this expansion should deliver a permanent boost to economic output.’ Additionally, high-quality infrastructure in the non-oil sector is needed to attract private investment. Therefore, they argue that ‘investments in basic transportation and public utilities, especially in rural

areas, could boost Angola's underperforming agricultural sector, while modernising Angola's ports and upgrading key overland trade routes could bolster overall economic competitiveness' (World Bank, 2014: 2,4).

According to a report written for the Sustainable Development Unit of the World Bank, Angola presently spends around \$4.3 billion per year on infrastructure (Pushak and Foster, 2011: 37). This figure is derived from averages of public spending from 2007 to 2009. The authors note the strong commitment to financing infrastructure, such as the investments in new electricity generating capacity, multibillion-dollar road rehabilitation programme, investments in the Port of Luanda, and the rehabilitation programme for urban water systems. Their report details the various achievements – of which there have been many – in public investment and the challenges still faced in many sectors, including water, power, information and communications technology, roads, railways, ports and air transport. They conclude that '[r]aising the country's infrastructure endowment to that of the region's middle-income countries could boost Angola's annual growth by about 2.9 percentage points' (Pushak and Foster, 2011: 5). In essence, although there is inefficiency in public investment, the new infrastructure already built and being planned is both manageable and necessary given the strength and needs of the economy.

Pushak and Foster's work was a major influence on a 2014 World Bank report that repeatedly emphasised the need for a better public investment management system for the Public Investment Programme (PIP). The PIP was created to reform and coordinate public investment in the Ministry of Planning and give the President more control over the creation, implementation and monitoring of the public investment system. While the reforms that led to the creation of the PIP have generally improved governance, there are still many challenges in terms of managing time and cost, evaluating projects, and assessing economic and social impacts of new projects (World Bank, 2014: 25).

The significant public investments in infrastructure already made and planned will not only spur economic growth, but much of the investment in water, electricity and basic infrastructure is also needed to combat poverty and improve general quality of life. According to the latest figures from the Ministry of Finance, the PIP had a budget of 1,517,207,848,245Kz (about \$15.5 billion) for 2013 (Governo de Angola, 2013). There is difficulty with Ministry of Finance numbers on the PIP in determining how much of the budget allocated is actually spent and to disaggregate the data by year, but it is likely these figures represent several years of investment.

Table 4. Distribution of Public Investment Programme, 2013

Province	Percentage of Investment
Bengo	3.45
Benguela	6.02
Bié	0.96
Cabinda	2.01
Cuando Cubango	2.43
Cunene	2.50
Central Government	22.20
Huambo	1.45
Huíla	4.55
Kwanza Norte	5.90
Kwanza Sul	1.57
Luanda	31.92
Lunda Norte	3.16
Lunda Sul	1.07
Malange	2.28
Moxico	1.93
Namibe	3.26
Uíge	1.93
Zaire	3.26
Total	99.99

Source: Governo de Angola (2013)

Yet, despite policies to distribute public investment around the country, Table 4 shows that investment has been uneven. Between two categories, it appears that roughly 55% of the total funding is for the capital of Luanda. In addition, according to Pushak and Foster, \$1.3 billion of annual investments in infrastructure are lost to inefficiencies. The 2013-14 World Economic Forum Global Competitiveness Index argues that Angola's infrastructure is one of the least developed globally (145th), and its population would be well served by improvements in the educational and health systems (137th) (World Economic Forum, 2014). A deconcentration and more efficient use of public investments would significantly contribute to addressing existing geographic inequalities and translating these investments into more developmental outcomes.

The role of Sonangol in Angola's post-war economy

While regular, especially local, state structures have remained relatively weak in terms of technical and financial capacity and resources, over the decade the state oil company Sonangol has become an increasingly powerful, well-organised, and

influential player in Angola. Calling it ‘the most competent arm of the Angolan state’, Patrick Heller writes that Sonangol ‘has developed into a singularly effective agent of the government’s interests’ despite ‘growing up in the midst of a bloody and destructive contest for power and operating in a state characterised by low human capital and major physical impediments to production efficiency’ (Heller, 2012: 836). However, the oil company is controversial due to the secrecy with which it operates, its role in presidential patronage and its command over not only the Angolan oil industry but large parts of the Angolan economy.

Sonangol plays a role as both the state concessionaire and regulator of the oil industry and at the same time is a major player in both exploration and production and in various oil service joint ventures. As Ovadia (2012) has shown, Sonangol’s oil service activities force out other Angolan companies. While Tordo calls this ‘leveraging its important role as concessionaire’ to create ‘a strong network of service companies’ (Tordo, 2011: 118), Ovadia (2012) comes to a different conclusion, noting that favour from Sonangol is a requirement for doing business in the Angolan oil industry. Such favour requires both the right politics and often also the right incentives provided to company officials.

Sonangol, which Heller calls ‘a state within the state,’ makes important contributions to Angola’s economic development. In addition to the revenues it brings to the country’s treasury and its important role in promoting local content, Heller finds that Sonangol’s investment decisions are ‘clearly aimed at affecting the economic health of key Angolan economic sectors’ (Heller, 2012). However, the company operates with almost no oversight or checks on its power. As OSISA’s report on Angola’s oil operations notes, ‘[p]olitical institutions to provide checks and balances to potential malfeasance in the oil industry are weak – or non-existent. The judiciary is not politically independent. The legislative branch lacks necessary and pertinent information, and is only really accountable to the ruling MPLA party. Other institutions, like the Attorney General’s office and the Ombudsman, report directly to the president and do not make their reports public.’ The report goes on to note the company’s structure provides ‘potential opportunities for corruption and dubious financial transactions.’ It contends that its various roles and functions represent a ‘clear conflict of interest’ (OSISA, 2013: 1-2).

OSISA’s report calls Sonangol ‘the most powerful institution’ after the presidency, commenting that ‘their complex and secretive relationship has created a sort of parallel government, wherein oil revenues that flow from Sonangol feed a patronage system that rewards an elite few and keeps the government and MPLA in check, while completely bypassing the formal structures of government that could provide needed checks and balances’ (OSISA, 2013: 16). These criticisms are a serious concern for Angolan development. While Sonangol is a key driver of

the Angolan economy, it uses its power to prevent certain individuals and groups from participating in the oil industry, accessing credit and winning contracts. Thus, according to Heller, Sonangol delivers ‘a sizable share of oil revenue to the [Angolan] elite’ and is ‘the key catalyst for an indigenous class of private businesses’ (Heller, 2012: 860-861).

Since Sonangol must approve all significant oil service contracts for every oil block in the country, it has a great deal of power to steer contracts to preferred companies (including its own). While some of this is a legitimate part of local content promotion, the company’s dual roles inherently conflict in this respect while its porous nature opens the door to corruption.²³ At the same time, Sonangol’s unique power helps maintain unequal and undemocratic political and economic relations in the country. This is exemplified by the wealth and power that Manuel Vicente was able to build up during his tenure as the company’s chief executive.

There are numerous examples of irregular business practices involving Sonangol and its former CEO, emblematic of what Soares de Oliveria calls the ‘privatization of power’ in Angola (Soares de Oliveira, 2007b). While he was CEO of Sonangol, Manuel Vicente represented Sonangol, which was a major shareholder, as vice-chair of the board of directors of the *Banco Africano de Investimentos* (BAI). He also represented Sonangol in its joint venture with CIF by acting as chairman of China Sonangol – a position he controversially renewed even after becoming Angola’s Vice-President.²⁴ It is also alleged that Vicente personally held a stake in China Sonangol (The Economist, 2011). In addition, Vicente has also been reported to personally have entered into a joint venture with BAI to form a construction company that soon afterwards got contracts to build the new headquarters of Sonangol and the headquarters of its Research and Production subsidiary (Marques de Moraes, 2010b). Vicente has investments in oil service companies that get contracts from the IOCs which Sonangol must approve and from Sonangol itself, and in oil companies like Nazaki which was awarded stakes in licencing rounds conducted by Sonangol as concessionaire of Angola’s oil (e.g. Ground Report, 2011). These examples are just some of the investments Vicente and other elites such as Generals Kopelipa and Leopoldino have made, and that Frances Coppola writing for Forbes recently called a ‘web of corruption’ (Coppola, 2014).²⁵

23 However, Heller (2012) finds that ‘according to many industry participants and observers... the incidence of petty corruption within [Sonangol] is relatively low’.

24 ‘Angola’s Vicente Rejects Corruption Fears’, *Financial Times*, 14 June 2009; ‘Vicente and China Sonangol’, *Africa Confidential*, 6(AAC) (11).

25 ‘Cobalt International Energy: oil, Angola and corruption’, *Forbes*. 17 August 2014. Coppola was referring not only to developments in the case against Cobalt International Energy, but also

These activities bring the Angolan state into disrepute. Hence, the use of local content for private wealth accumulation²⁶ must be considered alongside the positive role the company has had in national development. Vicente and Sonangol itself represent the murky and opaque climate of doing business in Angola in which the lines between private and public are blurred, the elite build their power and wealth covertly to maintain their hold on power, and secrecy prevents public participation and oversight in national reconstruction and development.

5. CONCLUSION

In this chapter we have intended to analyse the extent to which natural resources in post-war Angola have contributed to development. The cases of local content in oil and gas and state-built housing, as well as other aspects of Angolan development policy and practice reveal a leadership that has emerged from decades of war with a will to rebuild the economy. Deliberate state interventions have promoted economic and social development while an increasingly professional bureaucracy, especially within Sonangol, has emerged with the capacity to direct new oil service activities and manage state investment in real estate, industry and services.

Actual and concrete gains to date have been impressive, particularly the strong levels of state investment and non-oil economic growth. Tens of thousands of homes have been built, along with roads, railways, electricity generating capacity, water and sanitation infrastructure, schools, hospitals and more. Not to be overlooked is the success with which Angola has put in place the legal and institutional framework to implement its developmental agenda. New laws on *Angolanização* and the development of various policy tools are the building blocks for successful implementation, monitoring and enforcement of local content policy. Meanwhile in housing, an entirely new institutional framework, updated laws and new government ministries and agencies represent the backbone for the new National Urbanism and Housing Programme. In addition, policies aimed at the diversification of the non-oil economy, public investment in infrastructure and the mobilisation of Sonangol for development represent cross-cutting strategies for development.

From this perspective, Angola could be called a potential ‘petro-developmental state’ (Ovadia, 2016) in the sense that it has a development-oriented political leadership that has used the country’s oil wealth to influence the operation of the market through the state oil company Sonangol and create a legal and institutional framework to promote economic and social development in ways that are

to allegations that Vicente, Kopelipa and Leopoldino were also investors in Banco Espírito Santo Angola – another company that enjoyed unusual levels of state protection.

26 A concern noted by others, including Ovadia (2012) and Heller (2012).

compatible with elite interests.

Despite its developmental ambitions, this leadership has made very limited progress in making the state more ethical, transparent, participatory and accountable. Developmental policies have been implemented without broad political legitimacy and consensus over what the development priorities should be and whose interests they should serve. The government has not put in place the robust institutions and democratic oversight needed to curb predatory behaviour by public officials, which reaches the highest levels of government. Rather than broad support, the Angolan state concerns itself more with the support of key elites and with the interests of those in power.

As a result, the outcomes of developmental policies have been unequally spread. Hence, our analysis indicates that Ovadia's concept of a dual nature in local content policies extends and applies equally to many of the state's other development programmes and initiatives. Many of the very policies the Angolan state has advanced as part of its developmental vision have at the same time been vehicles of personal enrichment for state officials and patronage resulting in the maintenance of structural social and economic inequalities.

In the post-war years, structural imbalances have remained, or even been reinforced, which in the long term may limit further growth and effective transformation. Economically, the government continues to depend on oil revenues and special agencies such as Sonangol for the implementation of development projects. Recurrent oil price shocks, first in 2008-2009 and more recently in 2014-2015, reveal the limits of this approach. Moreover, policies and public investments continue to be centralised in the capital, exacerbating geographic inequalities and the weakness of local and regular state structures, as well as local domestic (non-oil) industries.

Politically, there has been a continuation rather than a break with the top-down socialist post-independence project of national reconstruction. In many ways, policies aimed at petro-development have been pursued alongside the curtailment of democracy. Fewer Angolans are free to participate in the country's governance while the unequal nature of the economic growth that has occurred makes it more difficult for many to share in the government's successes so far. New policies, new loans and new revenues are cloaked in secrecy, which limits the ability of civil society to hold the government to account. In social terms, the speed of economic growth has outpaced efforts to reduce poverty and improve upon other social indicators. Again, the human development divide is not only between rich and poor but also, as both case studies as well as the analysis of infrastructure development indicate, between the centre (Luanda) and the Angolan periphery. In this context, policy recommendations and alternatives have

limited value because the regime consistently puts short-term reproduction and accumulation objectives and strategies ahead of long-term economic and social development.

The lack of transparency, accountability and effective political and economic reform may also significantly limit the ability of the state to manage the universally cyclical nature of capitalist development and the particularly volatile nature of oil-backed development, its vulnerability to price shocks and thereby its ability to secure long-term and sustainable development. For this reason Angola's long-term development trajectory is likely to diverge significantly from the ideal theoretical model of a democratic developmental state.

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- Diário da República, I Series – N.º 51, Law 3/04 of 25 June
- Diário da República, I Series – N.º 106, Decree 48/06 of 1 September
- Diário da República, I Series – N.º 107, Resolution 60/6 of 4 September
- Diário da República, I Series – N.º 97 Decrees 62–65/07 of 13 August
- Diário da República, I Series – N.º 106, Law 3/07 of 3 September
- Diário da República, I Series – Decrees 80-112/08 of 26 September
- Diário da República, I Series – N.º 59, Dispatch 9/09 of 31 March
- Diário da República, I Series – N.º 118, Decree-Law 17/09 of 26 June
- Diário da República, I Series – N.º 169, Resolution 77/09 of 7 September
- Diário da República, I Series – N.º 183, Decree 54/09 of 28 September

STATE OF THE STATE IN MALAWI: AN AGRARIAN DEVELOPMENTAL STATE?

Reinford Mwangonde and Shawo Mwakilama

1. INTRODUCTION

One of the most vigorous current debates in the field of development is about the role of the state (and other key actors) in the development process (Kote-Nikoi, 2006: 1). Another key issue is the right to development, and whether Malawians have enjoyed it as stipulated in Section 30 of the Constitution. African countries, including Malawi, inherited skewed and underdeveloped economies from the colonialists (Hwedi, 2001). Structural poverty and inequalities created during the colonial era were perpetuated after independence, and subsequent policies have influenced the country's development in both positive and negative ways. The conduct of development partners, political leadership, civil society organisations, the public and other stakeholders have all played a role. Given that Malawi has been independent since 1964, it is critical to analyse whether the country has made progress towards becoming a developmental state.

The analysis will focus on the 'ideological underpinnings and developmental goals of the state' (Edigheji, 2005), the interventions undertaken, and how resources have been used – whether in the interests of the state or in the interests of political elites and their allies. Rates of economic growth, the nature of the productive system, and the structural roots of poverty and inequality will also be analysed. The chapter will assess the types and nature of institutions in Malawi and the extent to which these enable a developmental state.

The chapter provides a brief background of the country's experiences during

the colonial era, and then focuses on state interventions after independence in an attempt to address the development challenges resulting, in part, from the colonial rule. It then reviews shortcomings in the post-independence era and assesses the potential for developmental interventions in the country. This is followed by a discussion of some of the major obstacles to Malawi's development.

2 MALAWI'S POLITICAL ECONOMY DURING THE COLONIAL ERA

2.1 ESTABLISHMENT OF COLONIAL RULE IN NYASALAND

Colonial rule in Malawi began in 1891 with the establishment of the British Central African Protectorate, done on the pretext that it was 'with the consent and desires of the Chiefs and people' (Moffuka, 2008). The colonial administration established its headquarters in Zomba in the southern region, and in the early years of the administration (1891-1908), the protectorate was little more than the Shire Highlands and the Shire river valley, which was suitable for agriculture (Vail, 1977: 366). In the subsequent years, the influence of the British colonial administration extended northwards, through further acquisitions of land by European settlers and through the work of missionaries. In 1907, the British Central African Protectorate was renamed Nyasaland and was led by the Governor, whose administration was under the direct control of the Colonial Office and parliament in the United Kingdom.

The imperial government in London had resolved that each protectorate or colony must raise revenue on its own to fund its operations, and so white settlers were taxed, and encouraged to grow cash crops such as tea, coffee, cotton and tobacco. The settlers were assisted to acquire land and to access cheap labour, which partly contributed to inequalities and poverty among the native population. This system laid the foundations of Malawi's agrarian economy, and the same cash crops grown then are still grown today.

2.2 THE FOUNDATION OF STRUCTURAL POVERTY, INEQUALITIES AND MARGINALISATION OF AFRICANS

2.2.1 Land dispossessions

In the early years of colonial rule, European settlers who came to Nyasaland began the process of systematically dispossessing Africans of their land, in their quest to establish agricultural and commercial enterprises. The expropriation took place in the Shire Highlands and the Shire river valley, due to their suitability for both settlement and agriculture. Later on, Europeans moved the central and northern districts of the country. By 1893, for example, John Buchanan and his brothers David and Robert had obtained a certificate of claim for 167,823

acres of land in Zomba, Blantyre and Thyolo districts. Similarly, Eugene Sharer had acquired 363,034 acres, of which some 290,000 acres were in the Shire Highlands (MacCracken, 2012: 78). In the northern region, the British South Africa Company (BSAC) transferred over 51,000 acres of land to Livingstonia Mission (ibid.: 78). It has been estimated that over 800,000 acres of land in the Shire Highlands – which accounted for at least half of the total area – were in the hands of European settlers (ibid., 2012: 78), and at national level about 1.5 million acres transferred to settler ownership (Walker, 2004: 91). By the mid-1890s, the white settlers controlled about 45% of cultivable land in Nyasaland. According to Walker (2004: 91) this proportion is higher than the amount of cultivable land under the absolute control of Europeans in other countries within the region, such as Northern Rhodesia, Tanzania, Kenya or Uganda. Although in many cases the expropriation of land happened through unfair or even coercive means to the disadvantage of Africans, Europeans were given legal ownership by the colonial administration in the form of a Certificate of Claim.

The land dispossessions had significant effects on Africans in Nyasaland. First, because local people were pushed to marginal and infertile areas, which were not suitable for agriculture, food insecurity became a serious issue, undermining Africans' capacity to produce surplus food for barter trade with neighboring communities, as they had done in the pre-colonial era. Furthermore, as the African population grew, overcrowding became an issue in the Crown Lands or native reserves where Africans lived, thereby further compounding the problem of landlessness. As MacCracken (2012) has argued, the massive shifts in landholding that occurred in Nyasaland profoundly affected the character of Malawi's political economy.

2.2.2 Labour control and taxation policies

White settlers created specific institutions to ensure access to cheap labour from African communities for estate agriculture, and for export to the mines in South Africa and Rhodesia. The colonial administration assigned a 'reserve' status to rural Nyasaland for these purposes (Mkandawire, 1999: 2). One of the strategies to ensure the availability of cheap labour was to neglect African peasant agriculture, as a developed sector would mean that people would work for themselves. The intention was to force Africans to seek wage employment for survival, and in order to meet the colonial state's tax obligations. Another system was popularly known as *thangata*, under which Africans who lived on European-owned land were obligated to pay 'labour rent' to the landowners (Christiansen and Kydd, 1982). According to Pryor (in Kwengere, 2011: 131) *thangata*, which became law in 1904, provided that African workers who used land for settlement and

cultivation were in return required to pay the 'rent' on the land by providing one month's labour per year in lieu of the hut tax, plus one month's *thangata* labour paid at the current rate of tax.

This system was sometimes abused, as some settlers made Africans to work for longer periods than specified in the legislation. In some cases, settlers took advantage of the practice by coercing Africans who lived outside the confines of their property. This was possible due to the absence of registered boundaries (Green, 2012: 12-13).

Furthermore, Mkandawire indicates (in Masangano and Mthinda, 2012: 13) that the colonial authorities offered various incentives to the Africans in order to ensure that there was a continued flow of labour into the estates. One way in which this was done was by allowing a 50% tax rebate for Africans who hired themselves to the Europeans for at least one month. On the other hand, Africans who did not pay tax and failed to show proof of having worked in the European estates for at least a month were punished by having to pay double taxes (*ibid.*). In terms of labour exports, the colonial authorities basically introduced high local taxes that forced Africans to look for wage employment in order to be able to meet this obligation (Vail, 1997: 384); Nyasaland thus became a source of labour for the mining industry in neighboring countries, a process facilitated by companies such as the Witwatersrand Native Labour Association .

2.2.4 Agriculture and Africans' involvement

There is, however, some evidence of the colonial government assisting African farmers. Vail (1977: 375) states that the protectorate administration established the Department of Agriculture in 1909 with an aim to encourage and assist Africans in cash-crop production, especially cotton, in order to meet the high demand in European industries. African farmers were encouraged to grow crops such as cotton and were given extension services from 1903. Mkandawire points out (in Masangano and Mthinda, 2012: 4) that while African farmers responded well to this development, they were not given adequate resources or support such as credit and markets, and were left unprotected from unscrupulous profiteers. Thus, African cotton growers were simply used to grow a crop that was in high demand in Europe, and it was the middlemen and Europeans who benefited.

2.3 ABSENCE OF DEVELOPMENT AND THE UNDERDEVELOPMENT THESIS

The primary aim of colonisation was not to develop local communities in Nyasaland and elsewhere on the continent. As Walter Rodney (1973: 33) argued, 'when the citizens of Europe own the land and the mines of Africa, this is the most direct way of sucking the African continent'. According to Rodney, the actual owner-

ship of the means of production in one country by the citizens of another went beyond just trade. Further evidence on how the colonial administration failed to develop the country is found in Vail (1977), Mkandawire (1999) and MacCracken (2012). Vail (1977: 365), for instance, argues that the colonial government failed to create a viable internal economy in Nyasaland, and that at independence the country emerged from the colonial situation with a distorted and dislocated economy. Similarly, Walker (2004: 92) argues that post-colonial African leaders, including Dr. Kamuzu Banda, inherited a failed economy and social relations established under the colonial rule.

2.4 INHERITANCE OF COLONIAL POLITICAL ECONOMY AT INDEPENDENCE

Nyasaland became independent in 1964, and was renamed Malawi. At independence, the country inherited the colonial structure of an executive branch, judiciary and legislature. English remained the official language while ciNyanja and ciTumbuka were maintained as languages of instruction in lower primary education (Mtenje, 2004: 150). The new administration maintained the economy of the colonial era almost intact. First, estate cash-crop agriculture (tobacco, tea, cotton and coffee) continued to be regarded as the backbone of the economy. In addition to having European owners of estates, Dr. Banda encouraged senior party and government officials to participate in estate agriculture (Hwedi, 2001: 25). They also inherited and continued the tenancy labour system under which Africans worked and lived in miserable conditions.

Furthermore, the formal market for mine labour in the region continued after independence and was recognised as a source of revenue for the new administration. It was not until April, 1974 that Dr. Banda brought this recruitment to an abrupt halt when an airplane carrying migrants back to Malawi crashed and killed 74 people (Dinkelman and Mariotti, 2014: 10). But in general, as Mhone argues (cited in Kwengwere, 2012: 139), the labour exports led to the exclusion and marginalisation of much of the African labour force from engaging in productive activities in their communities. Again, the taxation system of the colonial period was continued in the post-independence era, and personal and company income tax provided as much as 50% of total revenue (Shalizi and Thirsk, 1991: 23).

Lastly, it is also well documented that at independence Malawi inherited an extremely underdeveloped urban infrastructure, because the colonial administration was not interested in making investments in local development. Morton (cited in Kayuni, 2011: 119), notes that at independence there was no central banking system, little expertise and institutional capacity to prepare developmental plans, and a lack of statistical services necessary for planning purposes.

3 STATE INTERVENTIONS POST-INDEPENDENCE

3.1 THE FIRST 15 YEARS OF INDEPENDENCE (1964-1979)

Several political parties contested the general elections of 1964, but the country quickly transitioned into a 'one party dictatorial rule'. A few weeks after independence, a 'cabinet crisis' saw the resignation and firing of six ministers who had been very close to Dr. Banda during the struggle for independence (Kayuni and Tambulasi, 2010: 418), laying the foundation for the dictatorial rule that dominated Malawi's political landscape for 30 years (Chirwa, 2001: 9; McCracken, 1998: 231). Loyalty to Dr. Banda was a requirement for anyone wanting to be a member of the ruling party, or to work in the civil service. In addition, everything, including the struggle against colonial rule, the attainment of independence, and the political and socio-economic development of Malawi, were regarded as Dr. Banda's personal achievements (Chirwa, 2001: 14). This is critical in understanding what shaped Malawi's development path over a period of 30 years.

Malawi's economy at independence was frail, and this was widely acknowledged by many, including Dr. Banda himself. The new regime embarked on the implementation of policies to achieve economic growth and development. Faced with pursuing either capitalism or communism during this cold war period, Dr. Banda dismissed both, insisting that:

I must not be swayed by theories either from the West or from the East. Because these theories, while they might work in Europe or Asia or in other countries – even in other countries on our continent – they may not work in Malawi, and it is Malawi that counts to me first in everything that I do (Banda, 1964: 19). And communism does not and cannot succeed, does not or cannot work (Kayuni, 2011: 121).

Deepak and Myint, quoted in Pryor (1990: vii) and Kayuni (2011: 121), concluded that Dr. Banda opted for a pragmatic approach to economic policy, largely going against the development theories in fashion in the 1960s. Some of his policies tilted towards 'pragmatic unilateral capitalism' (Kayuni, 2011: 121) while others tilted towards socialism. For example, under what was termed 'state-monopoly capitalism' (Harrigan, 2001), the government decided to establish statutory corporations to run the railways, airways, and water and electricity provision. The manufacturing policy sought to promote private investment, including foreign capital inflows. But on the other hand there were some 'selective use of tariffs' aimed at protecting local businesses, and exclusive protection which led to monopolies and infant industries (Harrigan, 2001; Chipeta and Mkandawire, 2008: 157).

Further, the regime pursued policies and implemented state projects that re-

flected ‘developmental patrimonialism’ under which grew a strong state-party machinery, a highly centralised executive, and centralised production and distribution of rents, rewarding loyalists and at the same time crushing opponents (Cammack (2011: 5). The system – which Dr. Banda epitomised – entailed ruling personally by controlling the flow of public revenue and selectively disbursing rewards to a narrow entourage of familial, ethnic or factional clients (Bratton and Van de Walle, 1994: 454). Banda took exclusive charge of policy making, rather than relying on technocrats. Dr. Banda and his close allies in the Malawi Congress Party (MCP), as well as some senior civil servants, participated actively in estate agriculture and other investments, which was a continuation of the colonial enclave economy that benefited a small elite.

Dr. Banda’s administration proved to be good at planning state interventions through their five-year development Plans from 1964 to 1979, focusing on key sectors of the economy such as agriculture, trade and industry, infrastructure development (including transport), tourism and education. It was due to this kind of planning and achievement of set targets that within a very short period dividends were attained, as shown below.

3.1.1 Prioritisation of agriculture and food security

Since the onset of independence in 1964, the new administration prioritised agriculture as the hub of the country’s economy, as was the case during the colonial period. Unlike other countries in the region, Malawi did not have a viable mining sector. The state pursued agricultural policies that promoted both cash crop production for international markets, and food crops for domestic consumption. This entailed a continuation of estate agriculture, with a focus on the growing of tea and coffee in districts such as Thyolo, Mulanje and Nkhatabay; cotton in Balaka and Karonga; and tobacco Mchinji, Dowa, Kasungu and Rumphi. Table 1 shows how much key cash crops contributed to export earnings over a decade.

Table 1: Composition of Export Earnings of Malawi (%)

Commodity	Period & Contribution
	1970 1979
Tobacco	47.7
Tea	21.2
Sugar	7.1
Nuts	7.7
Cotton	2.9
Other – non agricultural	13.4

Source: Adapted from Chirwa et. al. (2008: 15)

The state allowed European farmers and senior party and government officials

to pursue estate agriculture, turning a blind eye to the need for land distribution to the African population. For example, the Land Act of 1967 recognised and maintained the colonial land tenure (Milner, 2005: 49), and tenancy systems as well as the low wage policy (Kayuni, 2011). In 1982, Kydd and Christiansen analysed the structural changes using employment and output data, which pointed to the fact that both the colonial and the post-independence governments designed systems that limited economic opportunities of smallholders by inducing them to work in the estates (Droppelmann et al. 2012: 15). Table 2 shows that during the period 1970-93, the estates expanded more than smallholders as a result of these policies.

Table 2: Growth of the Agricultural Subsections in Malawi, 1970-93 (%)

Years	Estates	Smallholders	Total
1970 – 80	8.6	4.0	4.7
1981 – 87	4.1	1.8	2.3
1988 – 93	8.0	0.4	2.6

Source: Adapted from Droppelmann et al. (2012: 13)

Despite prioritising estate agriculture, the state still recognised the critical challenges facing smallholders. the Ministry of Agriculture provided extension services to teach smallholder farmers new practices (Kayuni, 2011). In addition, from the 1970s, the government began to offer credit to smallholder farmers; in 1987/88, this was consolidated into the Smallholder Agricultural Credit Administration, which in 1993 became the Malawi Rural Finance Company (MRFC).

Between 1964 and 1976, the government established settlement schemes – six in central, ten in northern and sixteen in southern regions – encouraging households to participate in food- or cash-crop production, and assigned Malawi Young Pioneers’ agricultural specialists to mentor them. In 1971 the Agricultural Development and Marketing Corporation was established, to buy produce from farmers, and to provide them with agricultural inputs. Before the market liberalisation that came with the structural adjustment programmes, the government was setting minimum prices to protect farmers from unscrupulous private traders and vendors. Overall, during the period under discussion, the agricultural sector was contributing about 35% of GDP, 85-90% of foreign exchange earnings, and employing 85% of the workforce (Milner, 2005: 43).

Table 3: Some Sectoral Contributions to GDP (%)

Period	Agriculture's share in GDP			Industry's share in GDP			Services' etc. share in GDP		
	Actual	Fitted	Residual	Actual	Fitted	Residual	Actual	Fitted	Residual
1960 - 64	-	48.89	-	-	5.88			45.22	
1965 - 69	36.57	46.19	- 9.62	18.56	7.30	11.26	44.87	46.51	- 1.64
1970 - 74	34.53	43.84	- 9.31	19.17	8.45	10.26	46.30	47.71	- 1.42
1975 - 79	31.89	39.90	- 8.01	19.87	11.08	8.79	48.23	49.01	- 0.78

Source: Adapted from Chipeta and Mkandawire (2004)

3.1.2 Tourism development

Tourism was identified as another sector that needed to be developed and supported, in the quest for diversified sources of revenue and forex, and was incorporated into the first Five-Year Development Plan in two ways. First, the government established the Malawi Development Corporation (MDC) to assist in promoting industrialisation and infrastructure development in the country, as this is key to creating a favourable environment for tourism to thrive. The MDC spearheaded the extensive development of hotels, and the creation of an attractive and conducive investment climate in Malawi to encourage private investors (Magombo, 2011: 31). The government established or acquired hotels in strategic areas of the country through the Hotels Development Programme.

Table 4: Hotels Established/Acquired by Government

Location	Name of Hotel	Year
Blantyre	Mount Soche Hotel	Opened in 1969
Mangochi (then Fort Johnston)	Nkopola Lodge	Opened in 1970
Zomba	Ku Chawe Inn	Acquired by government in 1969
Lilongwe	Lilongwe Hotel	Acquired by government in 1969
Salima	Grand Beach Hotel	Government took over in 1971
Mangochi (Fort Johnston)	Club Makokola	Government took over in 1971
Limbe, Blantyre	Hotel Continental	Government took over in 1971
Lilongwe	Lingadzi Inn	Opened in 1972
Kasungu	Kasungu Inn	Opened in 1972

Source: Magombo (2011: 86)

In addition to this, the government created the Division of Tourism in the Minis-

try of Trade and Industry to provide overall governance and policy direction for the sector. In 1968, the Tourism and Hotels Act was passed. In terms of conservation, game reserves (Vwaza and Nkhotakota) and national parks (e.g. Nyika and Kasungu) were created, and scenic areas such as Mount Mulanje and the Zomba plateau were promoted. However, the sector remained in its infancy and contributed only about 1.5-2% of GDP during this period.

3.1.3 Transport and communication infrastructure development

Given that that efficient transport and communication infrastructure were keys to economic development, main roads were built to connect Malawi with Mozambique, Zimbabwe and South Africa through the Mwanza border; with Mozambique's Quelimane port through Muloza border; with Zambia through Mchinji border; and with Tanzania through Karonga's Songwe border. The same road network also connected regions and districts within the country. The Ministry of Transport and Public Works, and City and Local Assemblies also connected cities, towns and rural areas with bitumen, gravel or earth roads through different funding programmes.

Apart from roads, railway lines were also seen as key to the transportation of bulky goods within the country, as well as to and from overseas markets through the ports of Beira and Nacala in Mozambique. A 101-kilometre railway-line linking to Mozambique's Nacala line was opened in 1971, and in 1979 a railway line was built to linking Salima and Lilongwe, and was later extended to Mchinji, near the Zambian border. Transport services on Lake Malawi were consolidated, and the Kamuzu International Airport was opened in Lilongwe in 1983. In addition, Blantyre's Chileka Aiport was rehabilitated, and airports were constructed in other parts of the country.

3.1.4 Low wage policy and suppression of trade unions

Generally, labour availability and costs matter in economic development. Dzimbiri (2004: 14) highlights that one of the critical questions the Banda regime faced when it embarked on programmes for economic development was whether to widen workers' rights to higher and better wages or keep them low ostensibly to attract private investors. Dr. Banda decided to limit workers' rights, and to suppress trade unions (Kayuni, 2011: 127). The result was that workers were paid very low wages, and had no right to collective bargaining or to strike. This was a one-sided approach, which translated into reduced consumption demand by households. As the Keynesian model stipulates, there is a direct relationship between consumer spending and income. The policy failed to facilitate any kind of structural transformation for the betterment of the country. Malawi was basically trapped in low value economic activities, which

could hardly facilitate the required transformation.

3.1.5 Trade and industry

Trade and industry was also recognised as a key focus area, which led to the creation of the Ministry of Trade and Industry, and the MDC. During the same period, Dr. Banda established what became the largest conglomerate in Malawi, the Press Corporation Limited (PCL), which continues to dominate the market in sectors such as retail, wholesale, tobacco estates, oil distribution, real estate property, banking, insurance, ranching, pharmaceuticals and transport – accounting for one-third of Malawi's GDP. The regime also attracted investors such as Lonhro in the sugar sub-sector, the Conforzi family in tea, Limbe Leaf in tobacco and David Whitehead in textiles (Said and Singini, 2014: 7). Furthermore, the government engaged apartheid South Africa and established very close economic ties, from which one of the benefits was South Africa's investment in the infrastructure sector of the new capital, Lilongwe.

3.1.6 Overall economic and social performance

Some of the key developments during the period included the over-valued exchange rate system (fixed peg), low and stable inflation and interest rates, limited tariff protection and non-tariff barriers to trade such as import licensing, and implicit foreign exchange rationing (Chirwa, 2002: 10). While Malawi's GDP at independence was \$43.2 million (K151.4 million), it increased to \$80 million (K280.5 million) by 1973 (Williams, 1978: 260). By the end of the 1970s, Malawi achieved unprecedented economic growth, the number of people in wage employment increased significantly, the levels of investment were most respectable, agricultural output was rising rapidly, and dependence on grants from Britain was decreasing (Kanyuni, 2011: 113). Real GDP was growing at an average of

Table 5: Rate of growth of real GDP and real per capital GDP

Period	Average annual rate of growth of real GDP %	Average annual rate of growth of real per capita GDP %
1960 – 64	4.6	1.9
1965 – 69	5.8	2.2
1970 – 74	6.4	3.1
1975 – 79	5.8	3.2
1980 – 84	2.1	-1.3
1985 – 89	2.6	-0.6
1990 – 94	0.6	-1.4
1995 – 99	7.4	5.4

Source: Malawi Government - Economic Report (various) and IMF (1990)

5.7% per annum but began to decelerate substantially after 1980 (see Table 5); employment in the formal sector during this period was growing at about 7.1% per annum, as shown in Table 6. Many observers claimed that Dr. Banda had within a few years demonstrated to his former critics that Malawi had achieved a near miracle of economic development, (Williams, in Kayuni, 2011: 113).

However, it is important to note that this economic growth did not necessarily mean inclusive growth or growth that translated into uplifting and improving the wellbeing of people in the country. As Kishindo (1997) and Harrigan (in Kayuni, 2011: 117) argue, the majority of Malawians were not benefiting: poverty levels remained high, and inequalities were evident. Records also show that the country still had high illiteracy levels, especially in rural areas, but the government did provide some social services, including health care, education and potable water,

3.2 THE ERA OF STRUCTURAL ADJUSTMENT (1980-1994)

3.2.1 Origins of SAP in Malawi and what it entailed

Malawi's economy began to regress around 1979 due to deteriorating terms of trade, transport bottlenecks, rising costs of fuel, adverse weather conditions (Mhone, 1992 in Kayuni, 2011: 117) and western sanctions against Dr. Banda's dictatorship. As a result, the government sought assistance from the World Bank, which then prescribed policies under the Structural Adjustment Programme, from 1980 onwards. As Kayuni (2011: 117) argues, this led to the end of Dr. Banda's total grip on development and economic policies. The adoption of SAPs forced the government to deregulate prices, rationalise statutory bodies, devalue the Kwacha several times during this period, reform the civil service (including retrenchments), and remove subsidies on food, fertilizer and social amenities (Chilowa and Chirwa, 1997; Banda et al. 1998).

3.2.2 Critical analysis of SAP's impact in Malawi

Although the success or failure of SAPs has been widely contested, available evidence strongly points to the fact that they worsened the economic situation of the countries they were supposed to help. As Kwengwere (2011: 143) indicates, negative outcomes were experienced in most sub-Saharan African countries where the IMF and World Bank prescribed this policy package. In terms of economic growth, structural changes and elimination of poverty, SAPs did not work as promised (Mkandawire and Soludo, in Kwengwere, 2011: 143).

Records show that GDP growth was declining at an average rate of 2.5% per annum during the period of SAPs, in sharp contrast to the pre-SAP period, during which the average was 5.7%.

Table 6: Comparison of Some Macroeconomic Indicators in pre-SAP and SAP Periods (1971-2000)

Indicator	1971 – 1980	1981 – 2000
Rate of Growth of Real GDP (% per annum)	6.1	3.0
Rate of Growth of Formal Sector Employment (% per annum)	7.1	3.6
Commercial Bank Prime Lending Rate (%)	9.8	25.4
Rate of Inflation	9.5	24.4
Exchange rate (Malawi Kwacha to 1 USD)	0.8	7.5

Source: Kwengwere (2011: 143), and Malawi Government Economic Reports (various)

Interest rates increased significantly during the SAP period as a result of the high demand for credit by the government. This negatively affected other sector in terms of the cost and availability of credit for productive activities. The rate of inflation also increased, adversely affecting the financial system and discouraging investment and economic efficiency (Chipeta and Mkandawire, 2004: 42).

In terms of agriculture, Munthali (2004: vi) states that the SAP resulted in the reduction of its contribution to GDP from 46% to 41%. Nor did SAPs contribute much to the growth of industries in Malawi. Table 7 shows the difference in growth rates for manufacturing sub-sectors during the period before and during SAPs.

Table 7: Manufacturing Sector Growth Before and During SAPs (%)

Product Group	1970-1979	1980-1989
Food, Beverages & Tobacco	12.26	5.38
Footwear, Clothing & Textile	6.57	-4.49
Total Goods for Consumption	8.91	3.71
Products for Construction	7.20	-2.51
Goods for Domestic Market	7.92	1.22
Goods for Export Markets	9.42	1.21
Total Manufacturing	8.16	1.29

Source: Chirwa, E.W. (2002: 7) – based on National Statistical Office data

In terms of social welfare, the poverty and inequality situation became worse during the 1980s up to early 1990s due to the profound effects of the new economic policies. Table 8 indicates this for a few selected years.

Table 8: Gini Coefficient in Malawi

Type	Gini Coefficient 1968 – 69	Gini Coefficient 1984 – 85	Gini Coefficient 1998	Gini Coefficient 2003 – 12
National	0.448	0.60	0.401	0.44
Smallholders	0.203	0.453	0.374	-
Urban	0.660	0.621	0.520	-

Source: Malawi National Statistical Office (2001), and Human Development Report (2014)

3.3 DEMOCRATISATION AND THE POVERTY REDUCTION STRATEGY PROGRAMME (PRSP)

3.3.1 (Re-)democratisation in Malawi

In the early 1990s, Malawians demanded an end to Banda's dictatorial rule and for the country to democratise. A majority vote favored democracy during the 1993 referendum. Thereafter, general elections were held in 1994, and Bakili Muluzi of the United Democratic Front (UDF) won the presidency. With the dawn of a new era, many people had high expectations.

3.3.2 Early 1990s socio-economic problems and policy options

The new regime worked closely with the IMF and World Bank in their attempt to address the socio-economic problems which Malawi was facing. This led to a continuation of neoliberalism as the basis for economic policy. Economic liberalisation, however, created challenges for local industries and businesses that could not compete with cheaper imports. Additionally, Malawi was compelled to float the local currency, resulting in its marked depreciation against major foreign currencies, as shown in Table 9. This led to a sharp increase in the cost of living, and worsening poverty levels. The structure of the economy did not change, with the country continuing to export cash crops.

Table 9: Performance of MK against other currencies

Period	Exchange Rate
1994 January June December	MK4.5 : \$1 MK7.3 : \$1 MK15.3 : \$1
1996	MK15.3 : \$1
1999	MK46 : \$1
2004	MK108.9 : \$1

Source: Data from daily papers and Reserve Bank of Malawi

The Privatisation Programme, which was launched in 1996, worsened the situation of the majority of Malawians, making it harder to access basic social

services which were previously free.

The neoliberal policy framework of the 1990s also negatively affected the manufacturing sector. Table 10 compares the periods 1990-1993 and 1994-2000 to demonstrate the extent of this.

During the PRSP era, Malawi lost huge amounts of money and other material resources due to corruption. The political elites under the UDF-led government set out to amass wealth at the expense of the public. Notable cases include the MK1.7 billion (\$15.7 million at that time) which President Muluzi pocketed from various international donors, and scandals in the education, health and transport sectors,. Conduct such as this made politics synonymous with corruption.

Table 10: Performance of the Manufacturing Sector (%)

Product Group	1990 – 1993	1994 – 2000
Food, Beverages & Tobacco	1.88	-9.10
Footwear, Clothing & Textile	7.91	4.08
Other Goods e.g. matches, soap, furniture, printing & publishing	1.23	-1.93
Total Goods for Consumption	2.38	- 4.93
Products for Construction	- 1.59	- 1.99
Goods for Domestic Market	1.04	- 4.51
Goods for Export Markets	5.95	- 0.66
Total Manufacturing	2.16	-3.67

Source: Chirwa (2002: 7) – calculated based on National Statistical Office data

Lastly, the UDF administration collaborated with the IMF and World Bank to tackle poverty in Malawi. They came up with the Malawi Poverty Reduction Strategy in 1994, and established the Malawi Social Action Fund (MASAF) to coordinate programmes such as social cash transfers and public works. During the same period, the MRFC was reformed to focus on the provision of credit to small and medium scale entrepreneurs and farmers. In the final analysis, however, poverty levels remained within the same range. For example, in 1998, 54% of the national population was poor and 23% were ultra-poor, whereas by 2004 when the term of UDF under Muluzi came to an end, 52% were poor and 22% were ultra-poor (NSO).

3.4 MALAWI GROWTH AND DEVELOPMENT STRATEGY (MGDS)

3.4.1 Introduction of MGDS as local ideas for national development

The PRSP did not bear as much fruit between 1990 and 2000 as initially anticipated. The framework itself had serious weaknesses, some of which have been stated above. The ideas that informed the economic policies were prescribed by

the IMF and World Bank (Chirwa 2005), which resulted in the lack of a sense of ownership and hence local implementation was a problem. The new leadership under Bingu wa Mutharika resonated with these concerns and observations, and launched the Malawi Growth and Development Strategy (MGDS I) in 2006. The main objective of this five-year development strategy was to stimulate economic growth for poverty reduction in the medium term. It focused on five key themes:

- sustainable economic growth;
- social protection;
- social development;
- infrastructure development; and
- improved governance.

The government then crafted the MGDS II, which was a continuation of phase one and had an additional theme of gender and capacity building. During this period, the Mutharika administration began reversing some of the neoliberal policies that were introduced during the SAPs and post-1994 period. The new regime embarked on a mission to reclaim its role by moving towards state interventionism. For instance, the regime ended floatation of the Malawi Kwacha in favour of a fixed exchange rate, and shifted from market liberalisation to government price controls, particularly on utilities such as electricity and water. In 2008, Mutharika challenged the IMF on government agricultural subsidies, which he went on to implement through the farm input subsidy programme.

Table 11: Comparison of GDP Growth in Malawi between 1966 and 2010

Period	Growth (%)
1966 – 70	7.0
1971 – 75	9.4
1976 – 80	4.4
1981 – 85	2.0
1986 – 90	3.1
1991 – 95	2.2
1996 – 00	5.0
2001 – 05	1.6
2006 – 10	7.8

Source: Mangani (2011: 9)

3.4.2 Achievements during MGDS I period

Evidence has shown that it was local ideas, as opposed to neoliberalism, that

enabled Malawi to achieve progress within a short period of time. GDP growth averaged 7.8% between 2006 and 2010, the second highest since 1966. It was a significant achievement given that the country was coming from a period of very low growth.

With regard to poverty rates, there was some improvement during the MGDS I period, as they fell from 52% in 2004 to 40% in 2007.

Table 12: Poverty Rates in Malawi

	1998 - PRSP	2004 – PRSP	2007 – MGDS I	2011 MGDS I & Transition to II
Poverty (% Population)				
Malawi	54	52	40	50.7
Urban	19	25	11	17.3
Rural	58	26	44	56.6
Ultra Poverty (% Population)				
Malawi	24	22	15	24.5
Urban	5	8	2	4.3
Rural	26	24	17	28.1

Source: National Statistical Office (various years), and Mussa and Pauw (2011)

Infrastructure development during this period included the new Parliament Building, Bingu International Conference Centre and Hotel, Presidential Villas, the Karonga-Chitipa road, the initiation of the Nsanje World-Inland Port to connect Malawi to the Indian Ocean through the Zambezi River, and the Malawi University of Science and Technology.

3.4.3 Shortcomings during the MGDS I period

Although Malawi attained food security as a result of both the Farm Input Subsidy Programme (FISP) and the grace of good rains, it can be argued that the subsidies have created a dependency syndrome, in that every year smallholders or subsistence farmers wait to receive free inputs from the government. Moreover, the programme is prone to abuse by both politicians and technocrats. Further, during MGDS I the DPP government promised to initiate a major irrigation project – the Green Belt Initiative – that would enable farmers to grow crops at least twice in a year;,, but the programme remained mere rhetoric. Third, most of the roads in the country’s cities and rural areas remained in a dilapidated state. Rural areas, which primarily have earth or gravel roads, continued to face transportation problems during rainy seasons. The energy sector continued to be unreliable,

negatively affecting business, and water supply interruptions have become the order of the day, particularly in Blantyre city. Lastly, shortage of drugs and inadequate staffing levels in hospitals, and poor quality and limited access to education especially in secondary and tertiary levels, continue. In essence, the realisation of social economic rights is still a challenge and a daily struggle for Malawians.

3.4.4 Politico-economic crisis and leadership transition

In the 2009 parliamentary elections, Bingu wa Mutharika received an overwhelming majority, due in part to the improvement in the economy. This majority enabled him to pass his agenda and to begin showing dictatorial tendencies, using the police and youth cadets to suppress opposition politicians and human rights activists. Political leaders and their cronies engaged in corruption with impunity, and the country began to deviate from the imperatives of rule of law, accountability and respect for human rights. During this same period, the country began to witness some of the effects of the 2008 global economic meltdown. The IMF and the donor community mounted pressure on government to devalue, float the Malawi Kwacha and implement other measures, but this was resisted and the status quo was maintained. Consequently, most donors withdrew their financial assistance, further worsening the economic crisis; this manifested itself in serious shortages of foreign exchange and fuel, soaring costs of goods and services as transporters increased their fees, shortages of drugs in public hospitals, and other related problems. Then, in April, 2012, President wa Mutharika died, paving the way for the Vice-President, Joyce Banda, to succeed him.

3.5 RE-INTRODUCTION OF NEOLIBERALISM AMID THE ECONOMIC CRISIS IN MALAWI

3.5.1 The new regime's economic policies

As soon as Joyce Banda became President, Malawi underwent a series of drastic changes on both political and economic fronts. The country witnessed the re-introduction of neoliberalism as the new leader and her regime accepted the full policy package from the IMF, under the 2012 Economic Recovery Plan (ERP).

The Joyce Banda government set out to bring inflation and interest rates down and improve liquidity (GoM-ERP, 2012). The ERP outlined three areas of reform, under the Immediate Policy Reforms (IPR), the Short Term (one year) and the Medium Term (two to five years). Through the IPRs, the government set out to adjust the exchange rate by 50%, to cushion foreign exchange reserves through donor aid and the IMF's extended credit facility, to introduce the automatic pricing mechanism (APM), and to tighten monetary and fiscal policies. Short-term reforms included a social support package, which included the Farm Input Subsidy programme, public works programme, school feeding programme

and social cash transfer; and the budget framework for 2012 to 2013 focused on certain local sources of revenue (agriculture and tourism), the provision of efficient and reliable energy and the promotion of value addition for exports (GoM-ERP, 2012: 9).

Other social programme that were introduced – although not stated in the ERP document – included the One Goat/Cow per Family program and the Mudzi Transformation Fund, under which the government constructed small houses for the elderly, widows, orphans and party supporters, mainly in trading centres and rural areas. But these programmes lacked sustainability, and were introduced as a way of using public resources for the People's Party campaign in readiness of the 2014 general elections. Medium-term reform focused on increasing production, efficiency and reliability in the electricity sector; promoting tourism; expanding the mining sector; promoting commercial agriculture and agro-processing; and investing more in transport, infrastructure and ICT.

3.5.2 Problematising the reintroduction of neoliberal policies, and ERP's shortcomings

A number of neoliberal policies were implemented, including devaluation of the local currency, a stabilisation policy measure which some countries undertake to address the worsening of their current account balance. Devaluation makes imports more expensive and exports cheaper, thereby boosting a country's current account balance. In the case of Malawi, however, it did not yield the anticipated results, as the country's forex reserves continued to decline and the import cover too continued to dwindle. The change of the official exchange rate from MK160 to around MK250 to \$1 was intended to curb the parallel (black) market, which using rates of MK200-240 prior to devaluation. It was also hoped to motivate individuals who were hoarding forex to release it to the formal market, however, the parallel market reacted by offering better rates. With regards to the country's forex import cover during Joyce Banda's era, reserves remained low and the import cover continued to dwindle to levels of 0.51 months by December 2012, against the SADC and international benchmark of three months' cover. The situation temporarily improved to 2.19 months by April 2013, primarily due to tobacco sales. Paradoxically, during the crisis period, up to the death of Bingu wa Mutharika in April 2012, the country's import cover was about 2 months, with the exception of March 2012 when it went down to 1.1. Available data shows that it took Joyce Banda's administration close to a year to match the levels of import cover of the crisis period, in spite of her administration accessing donor support and the IMF's extended credit facility.

Table 13: A Comparison of Import Cover for Malawi between 2011 and June 2013

PERIOD	IMPORT COVER
September 2009	3.12 months
17 th September 2010	2.68 months
30 th December 2010	3.03 months
15 th July 2011	2.87 months
March 2012	1.1 months
September 2012	0.9 months
December 2012	0.51 months
February 2013	1.6 months
April 2013	2.19 months

Sources: Malawi Savings Bank; Trade-Mark Southern Africa; and the Reserve Bank of Malawi

Another rationale for devaluation is that the currency will cost less, relative to other foreign currencies. Therefore, foreigners purchasing goods from a country that has devalued its currency relative to theirs end up paying less, while local residents importing goods from outside have to pay more. It then follows that if Malawi was predominantly adding value to its raw materials and was an exporting country, this decision would have benefited the nation, as its goods could have been cheaper for exporters, while at the same time encouraging local consumption. The thinking around this policy was illogical and flawed considering that the country's manufacturing sector is not well developed, and exports are not significant. Again, because Malawi still relies heavily on imports, including those that it can do without, this led to increased costs of goods on the market as importers sought to recover high costs of transactions.

Another policy implemented was the currency free float system. This policy, however, is sometimes problematic for underdeveloped markets. As Gudmundsson (2006: 112) states, underdeveloped financial markets and the extreme lumpiness of foreign exchange earnings (especially aid inflows) are amongst the reasons why developing countries manage floats more tightly than more developed and diversified economies. The float system was implemented in the 1990s in Malawi and Zambia. In the case of Zambia, a study by Bova (2009: 17) analysed the float system and concluded that a more managed float would have been more effective. This is because, had the Bank of Zambia tried to curb the appreciation, the increase in inflation would have not been so high, and consequently the real exchange rate appreciation would have not been as high as under a float. The same was the experience in Malawi, particularly from mid-1990s onwards. The

Joyce Banda administration failed to reflect on how other countries within the region fared when under a similar policy. The Malawi Kwacha continue to lose value, making life difficult for the majority of people who were already poor. The best option might have been a ‘managed’ float, or retaining the previous ‘fixed’ exchange regime.

Although the Bingu Government had controlled prices of essential commodities such as fuel, electricity and water, the reintroduction of neoliberalism led to a policy shift on this front too. For instance, with the introduction of the Automatic Fuel Pricing model, prices of fuel are reviewed on a monthly basis in relation to global fuel market prices and the exchange rate. The price is set to operate within a range of $\pm 5\%$ and any change of more than 5% triggers a price adjustment. The result of this is that whenever fuel prices increase due to the continued depreciation of the Kwacha, prices of many commodities and services on the market also increase, as fuel is one of the major price triggers on the market. Unfortunately, while this happens, incomes of the majority of Malawians do not change, as they earn an income only once a year after they sell their agricultural produce.

During its early months, the Joyce Banda regime stressed the need for fiscal discipline, but within two years there was evidence of excessive government expenditures and huge domestic borrowings. Part of the expenditure was directed to the so-called ‘development rallies’, which in reality were political in nature and were used by the regime to campaigns for the 2014 general elections. Again, during the same period, the government failed to lower inflation and interest rates.

Table 14: Inflation and Interest Rates, 2011-13 (%)

Key Rates	2011	25th May, 2012	17th May, 2013	24th May, 2013
Inflation Rate	7.7	12.4	36.4	35.8
RBM Bank Rate	-	16.0	25.0	25.0
Prime Rate	23.6	20.75	40.0	40.0

Source: Reserve Bank of Malawi (RBM), and National Statistical Office of Malawi

Although the ERP was intended to help turn the economy round, its short-term focus on social support programmes did not achieve significant results. The cash transfers and FISP, for example, were temporary and inadequate. Nor did the ERP achieve much, as it lacked clarity even on medium-term plans to end the crisis and grow the economy..

Lastly, both domestic and external public debts increased substantially during this period. Table 15 shows the public debt between 2012 and 2014.

Table 15: Total Public Debt between 2012 and 2014 (% of GDP)

	2012	2013	2014
External debt	37.7	44.0	47.3
Domestic debt	19.5	28.1	28.5
Total public debt	57.2	72.1	75.8

Source: IMF Report on Malawi (2015)

3.5.3 Downfall of the Joyce Banda regime amid serious scandals

The Banda regime was marred not only by serious failures in managing the economy, but also by poor leadership in general. Both the President and her deputy were busy travelling across the country campaigning for the 2014 general elections instead of attending to government matters. The regime failed to maintain discipline within the civil service, allowing massive looting of public funds by both the political elites and technocrats. This looting, referred to as ‘Cash-gate’, involved several government ministries and departments, including the Office of the President and Cabinet. Although the initial audit report estimated the looting at MK13 billion (\$30 million), others believe it was as high as MK30 billion (\$69 million) (Said and Singini, 2014). The administration also failed to account for maize that disappeared from the national food reserve authority, as well for the proceeds from the sale of the presidential jet. All of these issues made it difficult for Joyce Banda to win the May 2014 elections against Peter Mutharika and the Democratic Progressive Party (DPP).

In general, the first few months of the Mutharika administration have failed to provide a clear indication of how it will address the socio-economic challenges.

4. THE POTENTIAL FOR DEVELOPMENTAL STATE INTERVENTIONS

4.1 STRUCTURAL CHANGES AND INSTITUTIONS

It has been argued earlier that some of Malawi’s difficulties originate from the institution of the presidency and cabinet, which determines the course of national policy and development. Issues of neopatrimonialism and rent-seeking have been the order of the day in the post-independence regimes, and the political leadership has been using these to wield more power, to amass personal wealth, and to control and secure loyalty from the people. Dr. Banda, Bakili Muluzi, Bingu wa Mutharika and Joyce Banda were all surrounded by ‘Yes Bwanas’ – a network of relatives, friends and tribesmen who praise and revere their ‘Big Bwana’. There are many cases, particularly during the first three regimes, of development projects being directed or re-directed to the leadership’s home area or region,

of high-level jobs being given to tribesmen and friends, and of policies being implementation that enable members of the networks to amass personal wealth. As Booth et al. (2006: viii) argue, the distribution of spoils across the network of master-subordinates takes precedence over the formal functions of the state, severely limiting the ability of officials to make policies in the public interest. This explains the alleged missing of about MK92 billion (\$657 million) during the Mutharika regime, and about MK13 billion (\$43 million) during Joyce Banda's tenure (CHRR; Said and Singini, 2014).

The political elites have tended to focus on wooing support during election campaigns and strengthening their political base. Examples of this include the maize and/or cash handouts given to people during party and 'government development' rallies, which are financed by public funds; and the FISP whose benefits, as stated earlier, are usually diluted and pay few or no dividends (Chirwa and Dorward, 2013). Such interventions are not linked to long-term national investments and sustainable development, and they focus more on consumption production. During Joyce Banda's administration, Malawi had seen the construction of small low-cost houses in rural and peri-urban areas purportedly for the elderly and other disadvantaged groups under a programme called Mudzi (Village) Transformation Fund. According to the 2014 Malawi Human Rights Report, the administration claimed to have spent about MK1 billion (\$3.3 million) on construction and rehabilitation of 2,000 low cost houses for vulnerable people using resources from well-wishers (CHRR, 2014). However, most of the funds came from the public purse. It should also be noted that the nature and type of the structures did not match the amount of money invested, much of which was lost in administrative processes.

Structural change is needed if poverty and inequalities are to be addressed in Malawi. The country needs leaders who have integrity, who have people's interests at heart, and who show real commitment to pro-poor socio-economic policies and programmes. As the government of Malawi is the major source of business, some political elites and cronies in pursuit of rents target domestically oriented sectors that generate high rents, such as construction works and transport services (Pritchett and Werker, in Said and Singini, 2014: 38). Malawi needs a leadership that is bold enough to tackle rent-seeking and create an environment that is competitive and open to everybody. There is also need for strong and independent institutions which can enforce the law without fear of or favour to the political elites. Furthermore, it is essential for institutions' capacity – financial, human and other resources – to be strengthened if they are to improve their performance and contribute positively to developmental interventions.

Transparency and accountability are among the central pillars of good gov-

ernance, which is one of the key elements for ensuring inclusive and sustainable development. Malawi has, on paper, a framework that ensures transparency and horizontal accountability through the existence of the three arms of government (executive, legislature and judiciary) designed to operate independently. In practice, however, these branches of government do not always operate as expected. The executive arm has on many occasions influenced deliberations and legislation to be in its favour, and there have been many cases of the rules being flouted by the political elite to work in their interests, but to the disadvantage of the nation. Established public agencies for ensuring that there is accountability and transparency, such as the Anti-Corruption Bureau (ACB), the National Audit Office (NAO), the Financial Intelligence Unit (FIU), and the Director of Public Prosecution are often manipulated through appointments which are made by the President, thereby weakening and compromising their independence. The leadership of these agencies must be appointed by an independent body and not the President, and given legal instruments to ensure their independence. More importantly, the legislature and judiciary must ensure that they stick to their mandate of, respectively, providing executive oversight, and delivering justice.

4.2 HUMAN RESOURCE DEVELOPMENT

Human resources are critical in both the transition towards, and maintenance of, a developmental state. Structural transformation industry and agriculture requires particular sets of skills. About half of Malawi's population is aged 20 years and below; this is a group that, if it acquires adequate education and specialised training can contribute significantly to the nation's development through science, technology and other fields. Shortcomings such as inadequate teaching and learning materials and laboratories, need to be addressed, as does an analysis of the skills that students acquire from training institutions against what industry actually requires.

4.3 THE NEXUS BETWEEN STATE AND SOCIETY

Interaction between the state and society is essential if a country is to become a developmental state. The state needs to recognise the importance of involving civil society organisations (CSOs) in national development and understand that the CSOs act as an essential bridge between it and the citizenry. The interaction between the state and civil society needs to be inclusive and done through a participatory framework that allows all stakeholders to be involved in issues of national importance.

According to the 2013 Labour Force Survey (GoM-NSO, 2014) of all those in wage employment in Malawi, only 6% and 4% are members of unions and employee associations respectively. This means that the majority of people in

wage employment do not participate in labour matters. It is well known that trade unions help protect workers against exploitation, ensure their safety in the workplace, and bargain for better wages. The figures suggest that unions and employee associations are having difficulties in pursuing such aims, and they must recruit more members, and be seen as relevant, if this situation is to be reversed.

About 88.7% of all jobs in Malawi are informal, while only 11.3% formally employed (GoM-NSO, 2014). This informal economy is difficult to tax and regulate, and its contribution to GDP is hard to measure. Very few people pay direct tax on their income, and so the government loses revenue. Although the informal sector provides opportunities for many people who might have difficulty entering the formal sector, efforts must be made to bring the majority of economic activities and jobs into the latter.

Given the fact that all post-colonial administrations have maintained a colonial economy – specifically the estate agriculture and land situation – we argue that this continues to undermine local people who lost land in the past. Land shortages are very common, particularly in the tea-growing districts of Thyolo, Mulanje and Phalombe. It was not until the 2000s that the government, in collaboration with the World Bank, implemented the Community Based Rural Land Development Project (CBRLDP), widely known as Kudzigulira Malo (buying yourself a piece of land), which targeted people in the those districts for relocation to Machinga and Mangochi. However, evidence shows that this programme failed. The amount given to each household to meet the costs of relocation and land development was insufficient (K150,000, then about \$1,050). The relocation entailed heavy workloads as the programme beneficiaries had to build their houses, clear the bush and cultivate at the same time. Kishindo (2011: 9) states that the remoteness from main roads made it difficult to travel to markets and commercial centres, and to access basic social services. It was also difficult for people to adapt to new customs and cultural norms. These issues forced many beneficiaries to abandon the programme and return to their districts of origin.

Inherent within the estate agriculture in Malawi was the labour tenancy system, which started in the colonial era and was continued after independence. This system benefits landlords and disadvantages the tenants, in that they get paid far less, which arguably is one way of keeping them poor so that they can continue working in the estates for survival; it has also led to the problem of child labour, robbing children of their future as most of them end up not concentrating on education but rather focusing on short-term survival.

4.4 TRANSFORMATION IN AGRICULTURE AND DIVERSIFICATION OF REVENUE SOURCES

The agricultural sector in Malawi is largely subsistence, and only a smaller segment is commercial. However, the produce is sold in local and export markets without any value addition. But the country has vast arable lands and bodies of water which can be used to revolutionise the sector. There is a need to invest in irrigation technology, expand extension services and provide credit to farmers. Deliberate efforts must be made to move farmers from small-scale subsistence to commercial production. On top of making investments for the green revolution, there should be a move away from traditional seeds that are low yielding, as these make the situation worse in an era when dry spells are recurrent due to climate change.

Generally, Malawi has a huge spectrum of suitable agro-climatic conditions – on top of the arable land – that allow for many food and cash crops, and the rearing of livestock. For example, the country can grow grains (maize and wheat), legumes (groundnuts, beans and soya), flowers, tree crops (tea, coffee, bananas, guavas and avocados), tobacco, and cotton. However, there is lack of capacity for agro-processing or value addition, which means the harvest is sold in raw form, thereby fetching farmers less from the market. Many food crops, including perishables, go bad before they are sold or consumed, which leads to post-harvest losses. The same happens with most dairy and meat products. The country's failure to industrialise and add value to raw materials has had very serious consequences such as over-dependency on imports from other countries which exert pressure on already limited forex reserves. Some of the imports are things that could otherwise have been manufactured locally, such as mango juice, tomato ketchup and clothes. The government and its development partners must support industrialisation and agro-industrial value chains; this will not only increase the incomes of farmers from local and foreign markets, reduce post-harvest losses and create employment across the value chains, but also ensure the improvement of diets and the supply of agricultural commodities.

4.5 EXTRACTIVE INDUSTRIES

Due to the country's over-dependency on agriculture and foreign assistance, steps have been taken towards diversifying revenue sources. Malawi has identified the extractive industry as a new source of revenue, and the country has minerals such as uranium, niobium, magnate and phosphate. In the past five years, more than 120 mining licenses have been issued, among which six are for petroleum exploration. Companies working in this sector currently include Paladin Resources Energy Ltd, which runs the Kayelekera uranium mine; Mkango Resources together with Lynas Corporation Limited which are exploring rare earths; and the Globe

Metals and Mining Limited which is investing in in Niobium. However, the country in general and communities in particular seem not to benefit from these due to weak laws and the greed of some political leaders who make side deals with the companies. A study done by AFRODAD in 2012 revealed that the mining sector is contributing only 10% to national GDP, against government projections of 30%. The study further revealed that a lack of transparency and accountability was the primary cause of government revenue losses. Legislation in this sector must be reviewed and strengthened, and monitoring mechanisms put in place.

4.6 EXISTENCE OF PEACE AND STABILITY

Nkurayija (2011: 4) argues that development is a function of peace and security, and peace and security need to operate within the framework of development itself. Malawi has enjoyed peace and stability since independence, providing a conducive environment for economic growth.

4.7 BENEFITS FROM GLOBALISATION AND REGIONAL GROUPINGS

Globalisation is a socio-politico-economic and cultural process driven by the interests of governments, private corporations, international agencies and civil society organisations (Nkurayija, 2011: 13). African economies must be structurally transformed if they are to benefit from it, otherwise globalisation will only ensure wider markets for industrialised countries. This is reflective in the case of Malawi. The country needs to transform its agricultural sector and add value, targeting both the domestic and external markets; it must also take advantage of regional groupings and integration through the African Union and the Southern Africa Development Community (SADC), in order to benefit from trade, joint infrastructure development and technical assistance.

5. OBSTACLES HINDERING TRANSITION TO A DEVELOPMENTAL STATE

The state is essential in shaping and promoting (or derailing) national development. Evidence provided in the foregoing discussion demonstrates ways in which the state – acting independently or with external influence(s) – fashions social, economic and political development. However, there are some major obstacles, both internal and external, which are preventing Malawi from transitioning into a developmental state.

5.1 INTERNAL

5.1.1 Type and orientation of the political leadership

In a developmental state, the political leadership places national development ahead of personal enrichment or short-term political gains (Ghani et al., 2005; Leftwich, 2000; and Rotberg, in Habisso, 2010). In the case of Malawi, the lead-

ership in all the regimes – particularly since 1994 – has focused more on advancing personal interests and self-enrichment by looting public resources.

5.1.2 Structure of domestic demands and civil society's shortcomings

The structure of domestic demands in a country is critical, particularly as it relates to the interaction between the state and societal actors. Scholars such as Evans (1995) have attempted to explain this linkage through the concept of 'embedded autonomy'. According to Evans (1995: 12), the state cannot effectively make economic (or other serious) decisions and undertakings without involving non-governmental actors, and at the same time the state exercises a degree of autonomy from non-state actors' private interests. The latter is critical when making and implementing national policies, in order to avoid situations where groups attempt to push their own selfish interests. Fritz and Menocal (2006: 535) maintain that the state cannot be too insulated from society without running the risk of becoming excessively detached from it. It is essential for the state to be well connected (embedded) and establish channels for negotiations with civil society in order to adequately respond to its needs.

In recent years, civil society has become an active agent and interlocutor between society in general and the state. In the early 1990s, civil society in Malawi contributed to the call for democratisation, and its role has continued ever since. However, although civil society makes significant contributions in Malawi, it has some serious shortcomings. There are several cases of activists taking bribes from the government so that they are quiet on key issues, or adopt pro-government stances. In addition, the existence of tribalism also affects how some activists approach matters, as they become subjective in their activism due to this influence.

5.1.3 Structure of the productive system

Castells argues (in Habisso, 2010) that a state is developmental when it establishes as its principle of legitimacy the combination of steady high rates of growth, structural changes in the productive system at the domestic level, and connectedness with the global economy. Malawi, like many African countries, is well connected to the international economy. As Nanji and Munchiri state (in Nkurayiji, 2011: 9), the trade link between Africa and the global economy is geared towards the production of commodities that satisfy the industrial interests of developed countries. This is a deep-seated pattern of trade from which post-colonial African countries could hardly extricate themselves completely. Since the colonial era, Malawi has continued to export primary commodities such as tobacco, tea, cotton and coffee, without any value addition. As stated earlier, the agricultural sector remains, to a large extent, subsistence in nature, relies on old farming methods and is heavily dependent on rainfall.

However, it remains a fact that natural resources are still the main comparative advantage for Malawi, just as they are for the rest of Africa. The AfDB argues (2013: 113) that natural resources – energy, minerals and agriculture – will remain Africa’s competitive advantage for the foreseeable future, and the priority of an active transformation strategy should be to establish strong, diversified resource-based economies. Against this backdrop, therefore, Malawi has to address obstacles to its productive system. The recent discoveries of mineral and energy resources require a robust legal framework with which to govern the sector; investments in the energy sector to meet both current and future demands for power; and well trained professionals. As proposed earlier, industrialisation and changes in the agricultural sector also remain vital to this structural transformation agenda, if Malawi is to construct and sustain a democratic developmental state that provides opportunities, incomes and growth for all citizens.

5.1.4 The civil service machinery

For the state to develop successfully, it requires a vibrant, efficient and professional civil service. This is well presented by Evans (in Menocal, 2004: 772) who argues that the developmental state is autonomous insofar as it has a rationalised bureaucracy characterised by meritocracy and long-term career outlooks, traits that make civil servants more professional and detached from powerful rent-seeking groups attempting to influence them. In Malawi, there was discipline and a hardworking spirit among civil servants during Dr. Banda’s era. However, there are sufficient pointers of systemic weaknesses and inefficiencies in the country’s civil service, particularly in the democratic era. As the leadership practices nepotism, it ends up promoting and hiring into senior offices unqualified tribesmen and friends, who fail to perform. Such practices, together with low salaries, demotivate other civil servants.

5.1.5 Party manifestos determining the development path instead of national plan

Despite foreign influence on Malawi’s development, it has become a fashion for every ruling party to use its party manifesto to direct national development. This is done regardless of the presence of other avenues, including parliament, through which the national development blueprint can be drafted and made into law. This lack of continuity wastes public funds, time, and derails development in the country.

5.1.6 Failure to systematically address inequalities and poverty through policies and programmes

Malawi has experienced a number of shifts in development policies and programmes since independence, but without making any significant strides in deal-

ing with poverty and inequalities. For example, although the economy performed relatively well between 1964 and 1979, it is agreed that the ruling regime neglected inclusive growth and social development (Kishindo, 1997; Harrigan, 2001; Kayuni, 2010). There is considerable evidence to show how the introduction of SAPs in the 1980s and early 1990s worsened the welfare of people in the country. In 1994, the UDF government introduced the Poverty Alleviation Programme, which aimed to address poverty through social development and community empowerment under the Malawi Social Action Fund. Despite all the efforts and investment, poverty and inequalities were not addressed systematically, and this situation still remains today. It is important to note that the failures of the poverty reduction strategies can be explained by the lack of stakeholder motivation and the limited sense of local ownership, as the ideas were seen to be externally imposed. According to Chirwa (2005), it has been argued that the MPRS failed to offer policy alternatives to the failures of SAPs, and that it and subsequent strategies have all failed to redress inequality, reduce poverty, create jobs, and attain sustainable inclusive growth.

5.1.7 Gender inequality derailing women's progress

Women in Malawi are not treated as equal to men. They are often the victims of gender based violence, they die while giving birth, are more severely impacted by HIV/AIDS, and have high levels of illiteracy (Kabwila, 2013: 1-2). However, many state and non-state programmes have been addressing only the symptoms, and not the root causes, of the problem. Malawian society is organised along patriarchal lines, which is one of the key contributors to the persistence of gender inequality. Kabwira (2013: 2) argues that there is a lack of well-coordinated efforts to share theoretical knowledge and link it to actual experiences on the ground, as a result of which gender strategies have largely been reactive and haphazard.

5.2 EXTERNAL

5.2.1 Foreign agencies driving economic and development policies

Chalmers Johnson (in Habisso, 2010) argues that the developmental state is one that influences the direction and pace of economic development by directly intervening in the development process, rather than relying on the uncoordinated influence of market forces to allocate resources. Malawi has experienced that struggle between state intervention and neoliberalism. The country's continued dependence on outside assistance has given international financial institutions and foreign governments continuing opportunities to influence its economic and development policies, leading to a lack of local ownership.

Malawi's relies on donor support for over 40% of its national budget. Although there have been discussions about self-financing public expenditure and development programmes, the country has failed to graduate from this donor dependency. Given this dependency, government operations are seriously affected when donors decide to put their assistance on hold, for example in the 2014/15 and 2015/16 financial years.

5.2.2 The effects of climate change on development

It is widely accepted that climate change has far-reaching impacts, and in Malawi the most notable have been drought and floods. The occurrence of these natural disasters has forced the government to divert resources from productive activities towards relief for affected communities. But the government is failing to relocate and support households in low-lying districts such as Chikwawa and Nsanje, which are hit by serious floods almost every year. Similarly, reforestation is lagging behind deforestation, as many people in the country rely on firewood and charcoal for cooking because electricity is expensive and supplies are limited. Furthermore, during periods of drought, hunger hits the majority of Malawians because the population still relies on maize, which is susceptible to pest attacks and wilts during drought. The government has done little to promote drought tolerant food crops such as millet, sorghum and cassava, or to invest in irrigation.

6. CONCLUSION

This chapter demonstrates clearly that a developmental state is possible in Malawi. Between 1964 and 1979, and again between 2005 and 2009, the state demonstrated its ability to develop and execute national plans, to articulate a clear vision and rally people's support for it, and to strengthen institutions required to deliver development. During these periods Malawi registered significant achievements on the economic front, in infrastructure development, and in the provision of social services such as education and healthcare, but this progress was short-lived. Overall, when Malawi is measured against the parameters of a developmental state, there is no contention that the country has failed, other than in these two brief periods. The reasons for this include the neoliberal assault on the state from 1980 to early 1990s, which pushed it away from its earlier active and interventionist role. In the 1990s the new leadership conflated democracy with economic liberalisation, due to which the state was further weakened, a trend repeated in 2012 when the People's Party took over leadership and adopted neoliberal policies.

Malawi's economic policies focused on growth, and not on social development and addressing poverty and inequality. As stated by Cammack (2011: 4), Dr. Banda and the MCP leveraged national economic growth based on a com-

bination of authoritarian rule and estate agriculture, investment and industrialization, which benefited them as a class, but did not address the real causes of poverty and inequality. Indeed, all the regimes have pursued policies that perpetuated, and in some cases worsened, these. Structural impediments such as land shortages in some parts of the country, widespread subsistence agriculture, neo-patrimonialism and inept leadership continue to hinder progress in the country.. It has also been shown that corruption is one of the evils that continue to drain public resources in Malawi. This thrives because politicians deliberately weaken internal capacities and institutions for their own benefit and that of their external collaborators.

It is clear that Malawi has failed to transform structurally because of the nature of its leadership since independence. The political elites have ensured the continuation of the centre-periphery relationship, characterised by the production of primary commodities to feed western markets as an orientation, resulting in the country earning less than it otherwise would have done from the international market. Additionally, it is clear that Malawi is yet to fulfill its obligations under the Right to Development, as people currently do not contribute to or enjoy the full range of political, economic, social and cultural rights. Life for the majority of Malawians remains a daily struggle, with both the rights-holders and the duty-bearers often viewing service delivery as a favour.

It can be argued that in order for Malawi to transition into a developmental state the country needs to undertake a serious structural transformation on both the economic and political fronts. The leadership has to be selfless, to show commitment to addressing poverty and inequality, and to articulate and pursue a clear national vision. A competent and meritocratic bureaucracy is required, able to perform without undue external influences, as are disciplined, professional and independence institutions, including the judiciary, the Anti-Corruption Bureau, the Malawi Revenue Authority and the Reserve Bank of Malawi. Government borrowing must be brought under control. and systematic approaches to industrialisation and the agricultural sector are needed. The mining and minerals sector requires good governance and transparency, with a view to ensuring that the whole country benefits from these natural resources. The country should also strive to reduce – and eventually end – the dependency on donors for its national budgets. Past reliance on ruling party manifestoes to direct policy and development, points to the need to have a clear national road-map for development that remains in place even with change of government. Finally, a non-partisan and active civil society is a key component to any future development.

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SYNTHESIS AND WAY FORWARD: TOWARDS DEMOCRATIC DEVELOPMENTAL STATES IN SOUTHERN AFRICA

9.0 INTRODUCTION

As pointed out in Chapter 1, since the 1980s, the development discourse has been dominated by a neo-liberal framework that emphasises a ‘minimalist’ (rolled-back) state in the economy. Following the failure of this paradigm to ignite sustained investment, growth and social development, the World Bank argued that this was a result of ‘implementation failures’ not associated with the design of such policies. A new list of governance and institutional reforms under the Augmented Washington Consensus was added to the original conditionalities, resulting in critics pointing out the paradox of insisting on minimal state interference while requiring the incapacitated state to do so many things at the same time (spray-gun approach) (see Mkandawire, 2001; Rodrik, 2006). Thus, the decades of implementation of such policies were written off as ‘lost decades’ for development despite reforms (see Easterly, 2001), and the exertions of the IFIs as ‘economists’ adventures and misadventures in the tropics,’ (see Easterly, 2002).

As it became clear that these policies generated more pain and misery than recovery and hope, even their proponents had to admit failure (see World Bank, 2005, 2008). The final nail in the neo-liberal coffin came with the 2008/09 financial crisis and recession that prompted developed and emerging nations to adopt interventionist bailout/stimuli packages, which flew in the face of the laissez-faire approach. This necessitated a rethink of economic orthodoxy, and, in particular, the role of the state in economic development. Former French President, Nicholas Sarkozy, embraced this rethinking. As the credit crunch spread from the US to Europe and as leaders prepared for the first G20 Summit since the financial crisis, Sarkozy hit the final nail when he opined thus:

A certain idea of globalisation is drawing to a close with the end of financial

capitalism that imposed its logic on the whole economy. ...The idea that the markets are always right was a crazy idea (cited in Muchena, 2009)

It is against this background that alternative strategies such as the UNDP's Sustainable Human Development that places people at the centre of development as both its subject and object find traction. Strategies and targets to meet human development had emerged in the form of the Millennium Development Goals (MDGs) in 2000. Thus, the state and its proactive management and guidance of markets for the purposes of eradicating poverty, took centre stage in the development agenda and the question of systematic redistribution re-emerged. Hence, the pendulum swung back decisively towards state-led development, with renewed interest in the 'developmental state' and its prospects in Africa.

Chapter 1 explained the genesis of the 'developmental state', tracing the emergence of the concept to attempts at explaining the rise of East Asian tigers from the backwaters of underdevelopment to industrialised status, beginning with Japan in the aftermath of the Second World War. It particularly highlighted that the origins of such capable states are rooted in the attainment of conditions of equality and equity during the post-colonial period. In this regard, such economies did not maintain the structural legacies of inequality inherited from the colonial era, but radically ruptured these to create conditions of income equality. Additionally, in almost all the cases, the state played a very proactive role. Critically, therefore, the chapter has shown that income equality is positively associated with the likelihood of having a 'developmental state'.

Even IFIs that believed social goals would be addressed through 'trickle-down' now underscore the importance of equity and equality of opportunity as 'essential ingredients of sustainable growth strategies' (World Bank, 2008: 60). While equity refers to outcomes or results, equality of opportunity relates to starting points, including access to nutrition, education, and job opportunities. The case for equitable growth, which the chapter effectively made, is acknowledged by Robert Solow who was a member of the World Bank's Commission on Growth and Development:

In many ways, the more equitable the growth, the more sustainable it's likely to be, because there will be less controversy, less disagreement, less resistance, and also there's an enormous amount of talent in populations that needs to be tapped. Excluding some parts of the population, whether by gender, age, or ethnicity, from the benefits of growth loses the talents that they have. So in my view, it is not only desirable that they go together, it's useful that they go together (World Bank, 2008: 62).¹

1 On the same issue, Carin Jämtin, former Minister for International Development Cooperation in Sweden, who was also a member of the Commission on Growth and Development, clarified that 'There is no contradiction between equality, redistribution and growth. Quite the contrary. Prosperity that is shared is not only morally right, it also gives people a chance to lift

Chapter 2 elaborated on the importance of equality and equity from a gender perspective. The chapter posited that one of the key measures of the efficacy of democratic developmental states is the extent to which they are inclusive of the interests of especially those citizens who are systematically marginalised and excluded from development processes. In southern Africa, one of the major marginalised groups is women – although, paradoxically, they constitute the majority of the population. The chapter revealed that due to historical and other reasons, women and girls in all the states under review have not effectively participated across all spheres of public and private life. As a result, they shoulder the biggest burden of poverty, illiteracy, HIV and AIDS, and food insecurity in a region that is predominantly patriarchal.

The chapter viewed the current states in the region through a critical feminist lens – using a feminist power analysis framework – in order to explain why women and girls are currently sitting on the margins of most state and government efforts towards sustainable development. The analysis revealed that, as currently positioned, women do not wield enough economic, political and other forms of power to shape and influence the nature, pace and outcomes of policies and strategies and to access economic resources in a manner that transforms their lives across sectors. The author advanced that states in the region cannot be democratic and developmental as long as this status quo persists. She argued that it is not only desirable, but necessary for states to bring women to the centre of development policies, programmes and processes if they are to contribute and benefit meaningfully towards sustainable development.

The chapter argues for transformative development models that are pro-poor, and for states to expand their economic bases. Women need to play a central role, to be able to own economic assets and to participate in and control the value chain in production processes. Women need to participate meaningfully in politics and make decisions. Women need access to justice and live lives free from economic, political, social and other forms of deprivation. The major challenge is to achieve this in a world where neo-liberal capitalism has colluded with patriarchy to leave women out of the matrix. But a key discernible message is that if economic and social policies and indeed the entire development is not engendered, it is certainly endangered!

9.1 THE TWENTIETH CENTURY ‘DEVELOPMENTAL STATE’ IN

themselves out of poverty, creates legitimacy for responsible economic policies and can have an enhancing effect on long-term growth and prosperity’ (World Bank, 2008: 63).

HISTORICAL PERSPECTIVE

The literature reviewed in Chapter 1 revealed that state capacity played a critical role in the delivery of ‘developmentalism’, with the state embedded with private sector interests without being necessarily captured (‘embedded autonomy’). Such autonomy allowed the state to deploy its capacities towards long-term economic policies without being compromised by narrow claims of private interests (Evans, 1995; Mkandawire, 2001). Critically, the developmental vision was driven and sustained through leveraging internal social cohesion by way of broad national consensus among political elites, bureaucrats and the private sector. Thus, the developmental agenda was embraced by key stakeholders as a national ‘hegemonic project’. Such states had a developmentalist ideology and their legitimacy was based on the pursuit and attainment of sustained growth, capital accumulation and structural transformation through industrialisation.

Apart from forging public-private partnerships, continuity was ensured through the highly selective recruitment of the civil service on merit, with long-term rewards that fostered commitment and a heightened sense of corporate coherence and cohesion such that the behaviour of bureaucrats inclined more towards collective goals than the pursuit of individual opportunities. This identity and coherence within the bureaucracy was further strengthened by internal and external informal networks, creating the ideal-type Weberian bureaucracy. Hence, coherence and cohesiveness within the state apparatus promoted a form of connectedness with private interests that insulated the bureaucracy from capture, making the state a critical partner of the private sector in the industrial transformation process, with industry responding to the incentives and disincentives created by the state. In essence, the state had the capacity to discipline the private sector where its interests strayed beyond the national developmental agenda (Evans, 1995).

The key tenets of the development strategy employed by East Asian NICs included (i) an export-led industrialisation strategy; (ii) building a strong domestic productive capacity with a strong skills development component; (iii) high levels of savings and investment ratios, typically above 30% of GDP; (iv) effective states that built a national economy based on protective barriers and economic incentives, with internal social cohesion between the state and economic elites around economic and social objectives; and (v) cheap wage policies, with intolerance for trade union activism and political dissent. A deliberately authoritarian approach was employed to discipline labour and political dissent, resulting in a paradoxical mix of state effectiveness and undemocratic authoritarianism. The social cohesion highlighted above was reduced to a pact between political

and economic elites, excluding popular social groups and maintaining labour exploitation (see Chang, 2012).

Clearly, the statist thrust employed in the East Asian industrialisation strategy is at odds with the neo-liberal policies of IFIs that advise developing countries to open up their economies without protection or to demobilise the state so much that it is known only for its leanness and thinness while it stares rising unemployment, poverty and inequality in the face. The NICs protected their nascent domestic industries through tariffs, and provided export subsidies and other support to their industries, with such trade protection and controls only being gradually removed as domestic industrial capacity emerged. Economic historians have pointed out that in fact such a strategy was also used by the developed countries at the early stages of their development (see Chang, 2003; Rodrik, 2006; Levy, 2014). State development agencies endowed with the requisite capacity and power to lead the industrialisation strategy generated strategic information flows within and between the public and private sectors that empowered them to assist firms to compete in global markets.

9.2 LESSONS FOR TWENTY-FIRST CENTURY DEMOCRATIC DEVELOPMENTAL STATES

The dominance of neo-liberal policies in developing countries since the early 1980s took their economies along a trajectory characterised by the ‘stabilisation trap’ of low investment, growth and social development. It had been argued that in the presence of clientalism and rent-seeking behaviour, a minimalist state would do Africa good. However, critics pointed out the inherent contradictions in such an approach that resulted in the African state being both fiscally and politically squeezed to such an extent that it could not perform basic functions owing to demoralisation, corruption, moonlighting and other vices, which were further used as evidence that the African state is incapable of playing a developmental role.

Yet, in the same breath, those that allege African state incapacity prescribe roles for it that are beyond its capacities. The paralysis of the emasculated African state, which in turn is requested to undertake additional institutional and governance reforms beyond its current capacity, reinforces the vicious cycle of underdevelopment. Hence, African development scholars have reminded us that, in the first instance, ‘developmental states’ were never free gifts, but social constructs that emerged from social (and even political) struggles (see Mkandawire, 2001; ANSA, 2006; ECA, 2013).

Some scholars have seen in the aftermath of the Asian crisis of 1997-98 emerging space for alternative policies associated with the fall-out resulting from the

humiliation those Asian countries that sought IMF assistance. Hence, in the 2000s, the influence of the IMF weakened, with fewer countries seeking its programme assistance. The failure of neo-liberalism was confirmed with the global crisis of 2007-08 when governments in developed and emerging economies adopted large-scale economic packages to stem contagion and facilitate recovery and growth, which markets on their own could not do. After all, market-failure was behind this recession – the worst since the Great Depression of the 1930s – and hence *laissez-faire* could not be relied upon to reverse it. Even the IMF entered the debate: its paper ‘Rethinking Macroeconomic Policy’ questioned the efficacy of focusing on one policy target – inflation – and relying on one instrument – the policy rate – arguing that it is possible for a macroeconomic framework to have multiple targets and use multiple instruments (see Blanchard et al., 2010).

In the meantime, the growing role and influence of the BRICS (and the wider emerging economy bloc) in the IMF in the aftermath of the global crisis brought increased pressure for governance reforms in the IFIs. With the Western powers experiencing severe challenges on many fronts, diverse financial architectures began to appear, exemplified by the establishment of the Asian Infrastructure Investment Bank in October 2014, and the New Development Bank of the BRICS in July 2015, which the World Bank observed as signalling the emergence of ‘economic multipolarity’ (see Chang and Grabel, 2014). This has been augmented by the growing role of China, even as it experiences a slowing down of its spectacular double-digit growth.

The significance of these developments is that they have increased the scope for alternative policy space, facilitating the re-emergence of the debate on the ‘developmental state’ and its prospects in Africa. Since the discourse on developmental states evolved as an attempt to draw lessons from the experiences of NICs for other developing countries, scholars see the prospects for new developmental states emerging in the twenty-first century. An emerging consensus holds that while the concept of developmental states is still relevant, the conditions of the twenty-first century demand fundamental modifications.

For instance, in the twentieth century growth was based primarily on traditional capital accumulation; this is no longer adequate when growth is ‘bit-driven’, with an accent on theories that emphasise the impact of policy measures on growth, and human capacity. Thus, the capabilities of the twentieth century developmental state are no longer adequate to meet the complexities associated with twenty-first century needs, and especially with the focus on services that require investment in productive ideas (knowledge) and human capital. Furthermore, owing to the ‘collective goods’ dimension of capability expansion, productive alliances with private capital are more difficult to establish.

Similarly, the efficient allocation of capability enhancing investment requires a much broader set of information and networks than that required when the focus was on investment in plant and equipment. In this regard, accurate collection of information on collective priorities at community level is much more crucial in the twenty-first century developmental state where the engagement of societal actors in implementation is as essential as gathering information from them. This is especially so given that services such education and health are co-produced by recipients (see Evans, 2008). Sen (2000) therefore concluded that democratic discourse assumes greater importance as the only way to adequately define desired economic ends.

Accordingly, the twenty-first century developmental state must be more responsible, achieve greater autonomy vis-à-vis the private sector, and establish more complex and demanding forms of 'embeddedness' (inclusive embeddedness). It must be more agile, proactive, and resourceful and have the capacity to act independently of private sector interests that may be inclined to restrict the flow of knowledge. The institutional and capability approaches of the twenty-first century require a central role for democratically deliberative institutions and broad-based networks between the state and civil society to ensure the flow of information required for the efficient allocation of resources or their co-production. There also has to be a deliberate emphasis on the redistribution of resources in favour of the poor.

The post-cold war era eschews authoritarian tendencies, limiting the relevance of elite coalitions that characterised the twentieth-century developmental state. The winds of change precipitated by the end of the cold war did not spare Africa, with the fall of one-party regimes in Kenya, Malawi, Tanzania, Zaire and Zambia, among others. Against this background, the International Conference on Popular Participation in the Recovery and Development Process in Africa held in Arusha, Tanzania from 12 to 16 February 1990 – a unique collaboration between African people's organisations, NGOs, governments, and UN agencies – adopted the African Charter for Popular Participation in Development and Transformation (OAU, 1990).²

The Charter affirmed that:

...nations cannot be built without the popular support and full participation of the people, nor can the economic crisis be resolved and the human and economic conditions improved without the full and effective contribution, creativity and popular enthusiasm of the vast majority of the people. After all, it is to the people that the very benefits of development should and must accrue. We are convinced that neither can Africa's per-

² Interestingly, this conference was held during the week when Nelson Mandela was released after 27 years in prison.

petual economic crisis be overcome, nor can a bright future for Africa and its people see the light of day unless the structures, pattern and political contest of the process of socio-economic development are appropriately altered (OAU, 1990, 4, paragraph 7).

The democratisation agenda has thus taken root, strengthened by the spread of information and communications technology (ICT) which was a potent factor behind recent events such as the Arab Spring of 2010-12. The 2015 African Economic Outlook Report notes the rising tide of public protests by non-state actors in Africa from 1996 to 2014, with the index rising sharply from around 100 in 2000, peaking in 2013 at close to 600, a level more than five times higher than during the past ten years. The Report underscores the rising social demands, including for inclusive growth (see AfDB et al., 2015). Therefore, the twenty-first century developmental state must use its autonomy to consult, negotiate and build consensus with social groups, and hence the emphasis on democratic developmental states (DDS).

This is not mere semantics. The case for a broader definition of development is illustrated persuasively by what is now called the ‘Tunisia Test’. Here is the case: Before the country’s popular uprising in 2010, many saw the country as a ‘development success story’. Economic growth was close to 4%. Ninety per cent of children attended primary school, and life expectancy was 75 years. This would ordinarily be an impressive set of indicators for any country. But for many Tunisians it was clearly not enough: higher incomes and better access to services did not compensate for the ills and costs of corruption, repression, denial of basic rights and rising inequality. Nor did it satisfy aspirations for greater justice, freedom and dignity by many in the country. As a result, and cumulatively, this dissatisfaction led to a crisis. In January 2011, popular protests that started with the young man Tarek el-Tayeb Mohamed Bouazizi setting himself alight in protest against the corruption, led to the ouster of President Zine al-Abidine Ben Ali after 23 years in power.

The twenty-first century DDS will have to address four major conditions, namely the economy, democratisation, epistemic shifts and the ecological crisis. In economic terms, recent years witnessed a shift away from manufacturing towards knowledge and service sectors and the Southern African DDS will have to facilitate such a transition. Secondly, as outlined above, continuous democratisation (including more participatory forms of democracy) have to be an ongoing focus. Thirdly, the epistemic understanding of development has moved beyond the focus of economic growth towards much wider goals of social and human development in line with Sen’s ‘human capabilities’ approach. Finally, the connection between development and the natural environment has to be considered

as a central pillar of the twenty-first century DDS (Williams, 2014).

9.3 THE LEGACY OF ENCLAVE ECONOMIES, UNDER-EMPLOYMENT, INEQUALITY AND POVERTY IN SOUTHERN AFRICA

This book has explored the historical and policy roots of un- and underemployment, inequality and endemic poverty in Southern Africa, tracing the dual and enclave structure of these economies that entrenched the underutilisation of labour. It was particularly pointed out that colonial capitalism captured a small segment of the economy, the formal sector, leaving the bulk of it under pre-capitalist modes of production (the dual economy), with no linkages between the sectors (enclave growth). The continued existence of such structural deformity reflects the failure of post-independence policies to deal decisively with this inherited feature.

The persistence of this disarticulate structure of the economy entails that the formal sector has a growth momentum of its own, and relates to the non-formal segment in a manner that marginalises and impoverishes it, resulting in uneven development. Hence, even in the presence of growth, the economy is unable to absorb the vast numbers of the un- and under-employed. Given the inability of market forces on their own ('trickle down') to transform the economy and unleash a virtuous cycle of sustainable (inclusive) growth and human development, this can only be achieved through the conscious implementation of integrative measures such as redistributive policies and active labour market policy interventions.

The limits of a narrow focus on economic growth have become apparent in recent years. SSA is now the third fastest growing region of the world, behind only East and South Asia. Thus the 'Africa rising' narrative gained currency, capturing the global imagination. SSA's recent growth rates rode on greater political stability, a favourable global economic landscape exemplified by high commodity demand and soaring prices associated with the rise of China and other emerging economies, and sound economic policies (see AfDB et al., 2015; ECA, 2015).

However, this type of economic growth was not tied to the creation of a significant number of decent jobs and was not accompanied by meaningful redistribution of wealth, so it had little impact on poverty. Despite steady growth, SSA has not been able to create sufficient economic and social opportunities for its youth, failing to unlock the 'demographic dividend' (see Filmer and Fox, 2014). The quality of jobs in SSA is particularly low, and the employment levels of the working poor and vulnerable are the highest across all regions. The share of vulnerable employment in total employment in SSA declined only marginally from 77.9% in 2000 to 77.4% by 2013 (see ILO, 2013; 2014; 2015).

Thus, while SSA economies have experienced sustained growth, this was not accompanied by structural change or the accumulation of new productive capabilities (transformation). In fact, during the period 1990-2005, labour appears to have moved from higher productivity sectors (wholesale and retail trade, and manufacturing) to low-productivity sectors (informal services and agriculture), resulting in labour productivity falling by 1.3 percentage points per year, and eliminating more than half of within-sector productivity gains (AfDB et al., 2015:13). The structure of Africa's economy has hardly changed over the past five decades, remaining dominated by primary activities linked to natural resources and services.

Structural change has to be a key focus of a DDS as it is central to raising living standards in a systematic and sustainable manner, enabling more people to enjoy higher productivity levels in the more advanced parts of the economy. As the ILO (2013) observed, structural change is the most effective driver of growth as it reduces levels of vulnerable employment in both the short and long run, with the across-sector labour productivity component of growth being associated with the fastest reduction in vulnerable employment and hence poverty – the structural bonus (see Baumol et al., 1985). Emerging economies, such as Brazil, China and India were able to reduce poverty more rapidly than most African countries as they have undergone a more rapid structural transformation, with a higher proportion of labour moving from low-productivity to high-productivity sectors (see also AfDB et al., 2013).

Available data suggest that seven of the world's ten most unequal societies are African (ECA, 2015: 56), and the continent is the second most unequal region of the world after Latin America, with high levels of inequality persisting for over 60 years (AfDB et al., 2015). In eight of the fifteen SADC countries, the income gini coefficients are above 0.50, and four of the ten most unequal countries in the world are from Southern Africa. High levels of inequality have undermined the potential positive impact of SSA's economic growth on poverty. The challenge in SSA and SADC is not only to improve growth, but to make it more inclusive and to effect a systematic redistribution of wealth.

Tellingly, only two countries in SADC are in the high category of human development (Mauritius and Seychelles), with four in the medium category (Botswana, South Africa, Namibia and Zambia) and the remaining nine in the low category. In fact, SSA had the lowest regional human development index (HDI) value at 0.502 compared with the world average of 0.702 in 2013. Critically, when the HDI is adjusted for inequality, the average global loss in HDI value is highest for SSA at 33.6% (32.5% for Southern Africa). When the HDIs are adjusted for inequality, the four Southern African countries in the medium category drop

into the low group. As for gender inequality, SSA at 57.8% is the worst of all the global regions, and only two Southern Africa countries have Gender Inequality Indices lower than the world average of 0.451 (Mauritius at 0.375 and Namibia at 0.450). Clearly then, Africa and SADC's social development indicators project the paradox of relatively high levels of economic growth accompanied by high levels of under- and unemployment as well as widespread poverty.

While most countries in Southern Africa achieved some progress in the immediate post-independence period, especially in terms of expanding social services, there was no long-term systematic transformation of economic structures, and the typical enclave economies have persisted. Thus, it is hardly surprising that in most countries of the region, poverty and inequality remain high. This has heightened the sense of injustice and deprivation for many as neither resource-rich countries nor agricultural societies managed to substantially reduce inequality after independence (see Jauch and Muchena, 2011). A defining feature of the macroeconomic policy frameworks in the region thus far, guided by the SADC macroeconomic convergence framework, has been the single-minded targeting of macroeconomic stability at the expense of social goals such as employment creation and poverty reduction. This approach is clearly unsuitable to solving the current socio-economic challenges and the need for structural transformation has been acknowledged repeatedly (AfDB, 2013; ECA, 2014; 2015; ECA and AUC, 2013). Structural change implies four interrelated processes: a declining share of agriculture in GDP and employment, the rapid process of urbanisation, the rise of a modern formal industrial and service economy, and a demographic transition from high to low rates of births and deaths to facilitate the demographic dividend (see ECA, 2015: 4).

9.4 THE COUNTRY CASE STUDIES

Chapter 3 on South Africa explored current developmental interventions by the state, acknowledging the socio-economic challenges that are a result of the historical legacies of dispossession and marginalisation. In an attempt to reverse the legacies of colonisation and apartheid, the newly elected democratic government of 1994 embarked on a series of policy interventions with the intention of building a democratic non-racial and non-sexist South Africa. The desire was for all citizens to enjoy the benefits of the country's wealth as provided for in the constitution, one which guarantees access to socio-economic rights.

The new government started with a progressive redistributive programme (RDP), but this was quickly replaced in 1996 by a neo-liberal policy framework (GEAR). As dissatisfaction with the pace of service delivery mounted, in spite of growth, President Mbeki was recalled by his party, the ANC, paving the way for

Jacob Zuma to take over. The introduction of long-term policy strategies such as the National Development Plan clearly articulated the vision that should guide medium-term plans to address the triple challenges of unemployment, inequality and poverty by 2030. However, in-fighting within the ruling party alliance (CO-SATU, SACP and ANC) seems to have derailed the implementation phase of the NDP. In addition, policy uncertainty, and poor implementation of policies at the provincial and local government levels have resulted in the persistence of high levels of inequality and poverty. While the comprehensive social security system has reduced poverty levels, a lack of access to socio-economic rights has been the driving force behind the increasingly violent nature of service delivery protests. Other challenges discussed in the chapter include poor quality education, youth unemployment, fragmented civil society organisation and a failure to redistribute land. As a result, South Africa's democratic developmental state project has all the makings of a 'dream deferred'.

The chapter stressed that in order to address the structural socio-economic inequalities, South Africa will need a radical and transformative shift of economic policy, focussing on promoting and supporting the majority instead of benefiting entrenched political and economic elites.

The case of Botswana (Chapter 4) is often touted as an African model of a democratic developmental state, alongside Mauritius. It is the only African country in the elite group of 13 countries world-wide that grew at an average annual rate of at least 7% for no less than 25 years (World Bank, 2008). This has earned Botswana the title of 'Africa's miracle.'

The chapter highlighted two schools of thought about Botswana's growth and stability. The first is the modernist, western liberal agenda offering Botswana as proof that neo-liberalism can work in Africa. The second view claims that Botswana is an example of an African Democratic Developmental State. Whereas by the turn of the twenty-first century the neo-liberal developmentalist agenda had largely declared the state in Africa to be a failed state, the notion of an African DDS resuscitated hope that the state in Africa could reclaim its rightful position as the driver of development. The case study of Botswana showed that although it achieved some notable successes, there are severe developmental shortcomings such as an economic over-dependence on diamonds, and high levels of inequality and poverty.

The authors argued persuasively that the neo-liberal narrative underplays the dismal failure of structural adjustment programmes elsewhere in Africa. At the same time, they call for a more critical re-examination of the DDS model, arguing that as Botswana has become more authoritarian, this has had a negative impact on the population's confidence in the political leadership, heightening perceptions

about growing corruption and widening gaps between rich and poor.

In the case study of Namibia (Chapter 5), the paradox emerges of a resource-rich and sparsely populated country, and endemic poverty linked to a history of crude exploitation of labour and skewed economic development during the colonial period. After independence, economic structures were largely left intact as the government focused on extending social services to the majority of the population and on expanding infrastructure. Transnational corporations continued to control the extractive industries and most of the tertiary industries. Manufacturing has remained negligible and the state largely followed the neo-liberal approach to economic development, placing emphasis on investor-friendly policies to attract FDI.

Namibia today is still characterised by enormous wealth gaps; it is essentially a 'rich country with poor people'. After independence it followed the standard prescriptions of the IMF and World Bank for two decades. In recent years, the government has started using the fiscal and policy space for developmental interventions, but many of these were implemented on an ad hoc basis without being part of a strategic, transformative developmental agenda.

The Namibian state has thus far limited itself to regulating markets without taking steps to decisively shape and direct them towards particular outcomes. The country lacks ideological coherence and the institutional capacity to transform economic structures and to break the limitations imposed by neo-liberal market policies. Given the increasing signs of the 'politics of the belly' taking root, the state faces serious challenges if it wants to use the existing fiscal space for strategic interventions that will have a lasting, structural impact. As argued by the authors, turning Namibia into a DDS would require not only the systematic redistribution of resources and a change of economic ownership structures, but also a change of the prevailing political culture and values that promote individual enrichment rather than social progress.

The Zimbabwe case as presented in Chapter 6 showed that since the achievement of independence in 1980, the country has experimented with five different types of economic strategies. The 1980-89 'Social Welfarist State' scored positively on the social agenda, but not on the economic one, as it maintained the enclave and dualistic economic model rather than pursuing a radical transformation. The 1990-99 'Weakened Rolled Back State' under 'neoliberal economic reforms' largely reversed the social gains of the first decade of independence without delivering the promised economic progress.

The 2000-2008 'Nationalistic State in Crisis' period was characterised by a radical Fast Track Land Reform Programme as well as an indigenisation and economic empowerment drive. This took place amidst serious political and gov-

ernance challenges, characterised by polarisation, sanctions, severe economic recession, and the near collapse of the social sector. However, these radical moves aimed to set a new development template for structural transformation into broad-based economic empowerment for the black majority which is a central feature of a transformative DDS. The 2009-13, 'Compromised State' under 'dollarisation' and the Inclusive Government witnessed fragile economic and social sector recovery and ended up in an anti-developmental gridlock. Since July 2013, Zimbabwe has operated as a 'Pragmatic State' with low-key interventions on both the economic and social fronts, combined with intra-party political upheavals, whose outcome and implications for the country remain to be seen.

The Zimbabwe case has demonstrated the need for concerted efforts to move towards broad-based, dynamic growth and development underpinned by equity, equality, wealth creation, employment creation, poverty reduction and democracy. A people-centred DDS should protect the social sectors under all circumstances. A comprehensive agrarian reform is essential to address security of tenure, and to ensure high land productivity. It is critical to ensure equity along the lines of gender, youth, disability and other vulnerabilities in the population.

The Angolan case (Chapter 7) addresses the country's phenomenal economic growth post-2002, arguing that this has occurred with only very low levels of corresponding economic, political or social development. In fact, Angola has the distinction of being the poster child case of a poor but rich extractive economy. Angola's huge oil wealth, along with its diamond reserves and other natural resources, could fund genuine socio-economic development, offering the majority of Angolans – rather than just a few – an opportunity to enjoy their basic human rights.

But as the chapter demonstrates, high levels of inequality have persisted because of a 'top-down' approach to governance and what Ovadia and Croese call the 'dual nature' of post-war development policies – their tendency to promote economic growth while concurrently reinforcing the power and wealth of the elite. Although the space created for state-led intervention could be developmental, their analysis of how state intervention has played out in housing policy and in the petroleum sector exposes the weaknesses of the approaches taken by the governing MPLA.

Angola has undergone massive transformation since the end of its civil war, but the developmental benefit is highly uneven, accruing largely to a well-connected segment of the Luanda-based elite. Political power is highly centralised, while the economy remains dominated by oil and gas. Local content policies offer an opening to what Ovadia (2016) calls 'petro-development'. These policies are crucial to economic diversification and job creation. However, complex chal-

lenges involving human and institutional capacity, political corruption and weak governance have so far prevented the country from taking full advantage of the opportunities to anchor structural transformation in oil and oil services. At the same time, the attempts at crafting effective state housing policy have floundered due to inconsistent policies, planning and investment. Once again, important successes have been jeopardised by a top-down and inflexible approach that eschews consultation.

The massive and impressive amounts of state investment in various developmental initiatives, particularly core infrastructure, are in many cases wasted and/or misappropriated. The chapter argues that the state oil company, Sonangol, is at the centre of the dual tendencies promoting highly unequal and ineffective development. The centrality of oil in Angola's political economy has produced periods of spectacular economic growth, but also moments of deep and debilitating crisis brought on by extreme dependence on a commodity whose price is highly volatile. For instance, the brief oil price shock in 2008-09 and the substantial fall in oil prices since 2014 diminished fiscal space available to government, severely constraining the role of the state in the economy. Armed with oil wealth, the state has been mostly intolerant of criticism and has subjected its own citizens – disaffected by the state of social services – to selective arrests, put down demonstrations, and used strong-arm tactics to silence any dissent, including the voices of journalists, the youth and the independent media.

Chapter 8 on Malawi presented the case of an agrarian economy influenced by the inherited colonial structure of the economy which centred on the production of raw materials for Western markets. The Malawian economy was also constrained by a land tenure system characterised by the expropriation of large tracts of arable land by Europeans, land shortages among affected Africans, and colonial labour policies which were inherited and maintained after independence. Although from 1964 to 1979 Malawi performed quite impressively economically, it performed poorly on the social front. Since 1980, such economic gains were eroded by the neo-liberal policies that were implemented.

The evidence shows that Malawi achieved better growth and progress during periods of state intervention than during times of a reduced role for the state under neo-liberal policies. The chapter also reveals the fragile nature of Malawi's economy, its lack of inclusivity, and the high poverty and inequality levels in both rural and urban areas. The agricultural sector, which is still the backbone of the economy, is largely oriented towards subsistence, and the exports of cash crops remain in raw form. The industrial sector continues to be small and weak, the extractive industry is in its infancy and the political leadership is often corrupt and prioritises selfish agendas.

The authors point to a need for real structural transformation of key sectors to grow the economy in a broad-based and inclusive way. They argue for redistributive policies that enable ordinary Malawians to access the basic means of production, especially land. Furthermore they highlight the need to address poor performance in the public service, to put an end to 'short-termism', to have national development plans to guide development, and to strengthen development institutions. Also, civil society and other key stakeholders should organise and advocate for a new type of transformative (visionary) political leadership which is people-centred, transparent, consultative, accountable and developmental.

9.5 TOWARDS DEMOCRATIC DEVELOPMENTAL STATES IN SOUTHERN AFRICA

The lack of structural transformation, in spite of growth, was amply demonstrated in the six country case studies. Even Botswana, which was one of the fastest growing economies in the world between 1970 and 2005, has not been able to diversify its economy, and its social development indicators are way below those of other high middle-income countries. The persistence of inequality in these countries has undermined the poverty-reducing capacity of growth. Southern African states face a formidable challenge of making economic growth job-rich and inclusive, while at the same time redistributing wealth and access to resources, and safeguarding the natural environment.

The failure of the neo-liberal project over the past 30 to 40 years has pointed to an urgent need to rethink the role of the state in development, taking cognisance of the current global economic structures as well as the various country-specific experiences as presented in this book. Critically, developmental states are not gifts, but are social constructs that emerged from social struggles. The emergence of developmental states will undoubtedly require strategic interventions, social engineering and political struggles. This is the task facing the SADC region and the rest of Africa. The consolation is that other countries that lagged behind Africa in terms of development in fairly recent times (e.g. Korea, Malaysia and Thailand) have turned their fortunes around, and even newer cases are emerging, such as China, India and Vietnam. However, interventions today have to recognise the changes in the historical context of development as well as the specific roles to be played by developmental states in the twenty-first century (Evans, 2014).

Democratic developmental state construction is a project that requires a visionary and effective leadership. Central to its evolution is the development of a coherent state agenda and the building of the requisite coalitions to leverage accelerated inclusive growth and development. Its attainment is based on the political capacity for social mobilisation to reverse the processes of de-politicisation

and demobilisation in the aftermath of wars of liberation and the attainment of independence. Revolutionary spirit and self-belief need to be reignited for post-independence development within the context of national self-determination and sovereignty as enshrined in the UN Charter.

A critical step is to build a movement from below, which implies political ‘conscientisation’ and mobilisation of the working people at grassroots level, based on a clear understanding of the current crisis. As such, the task involves developing concrete strategies for alternatives to the neo-liberal development strategy. The mobilisation of the grassroots should occur simultaneously with the constant engagement of the state in order to transform it into an ethical, responsible and developmental state that acts in the working people’s interest (Kanyenze et al., 2006). As encapsulated in ANSA’s tenth principle, this requires ‘the creation of a dynamic, participatory and radical democracy, which regards peoples’ mobilisation, demonstrations, open hearings as part of the struggle for an ethical and developmental state,’ (ibid: 17). State-civil society relations are critical in building synergies, complementarity and a common developmental vision. In addition, formal and informal structures for participation and consultation should be part and parcel of the processes of policy formulation, implementation, monitoring and evaluation to build consensus on the development agenda, and maintain social cohesion and social stability.

The vision and national agenda must be nationally owned if they are to succeed. The building of development coalitions and consensus amongst key national stakeholders around the development agenda helps to create continuity in policy orientation, pronouncements and implementation. Dealing decisively with the legacy of underdevelopment requires bold measures of transformation, not marginal programmes and projects.

Critically, developmental states are planning organisations that consider and encourage active stakeholder participation. Key areas that need to be activated include a developmental vision; a comprehensive development strategy; co-ordination of the activities of economic agents; setting a legal and regulatory framework; and promoting economic restructuring and upgrading as a public good. Furthermore, the state needs to embark on the redistribution of assets, economic opportunities and income in order to redefine a more inclusive and pro-poor development path. As highlighted by Kanyenze et al. (2006, Chapter 2), such an approach should not be an ad hoc appendage of other policies, but should be an integral part of the transformative developmental agenda. Above all, the attainment of a democratic developmental state in the twentieth century requires commitment to a holistic approach to human rights, including gender rights, and the promotion and protection of citizens’ socio-economic rights.

Given Africa's abundant and diverse agricultural, mineral and other resources, the process of industrialisation should take advantage of this natural endowment. As argued in AfDB et al. (2013), structural transformation towards more productive activities and better jobs is closely linked with a strong natural resource sector. Instead of holding a country back, a strong and diversified primary sector is an important step towards a diversified economy that creates decent jobs. Many of the crucial ingredients for structural transformation – infrastructure, education and skills, strong institutions and regulations, government capacity, a redistributive tax system, financial access and sufficiently large effective markets – are also necessary conditions for strong agriculture and extractive industries, with off-shore oil being an exception.

There is an emerging consensus that the continent needs to exploit its comparative advantage in commodity-based industrialisation, starting with labour-intensive sectors, upgrading to medium- and high-technology sectors as productive capacities are built. Borrowing from the East Asian and indeed developed world experiences, Africa's trade policies should seek to promote dynamic efficiency of mature firms and efficiency of 'infant industries' through temporary protection from international competition. Extra care must be taken in negotiating trade and investment agreements in a manner that safeguards domestic and regional industrialisation objectives (AfDB, 2013; AfDB et al., 2013, 2015; ECA and AUC, 2013; Chang and Grabel, 2014; ECA, 2014, 2015; SADC, 2015).

As demonstrated through the Africa Mining Vision report of 2008, the potential of the capital-intensive sectors such as mining can be maximised through building resource linkages with the rest of the economy comprising revenue linkages, backward linkages (supply chains), forward linkages (value addition / beneficiation), and knowledge and spatial linkages to create new industries associated with mining. Such linkages can be defined either quantitatively as inputs and outputs into the mining operation, or qualitatively as relationships between enterprises in the supply chain, or as the exchange of ideas. The value of thinking in terms of linkages is that it reflects how each participant in an industry is connected to others. The value chain approach therefore can also enhance the labour-intensity of capital-intensive sectors such as mining.

Demographic dynamics demand that job creation, as the intermediary between growth and poverty eradication, be placed at the centre of development strategies as directed by the 2004 Extraordinary Summit of Heads of States and Governments in Ouagadougou. By now, twelve years have passed since the adoption of the Ouagadougou Declaration, Plan of Action and Follow up Mechanism on Employment and Poverty Alleviation, which inspired the National Employment Policies that integrated youth employment action plans. With the Millennium

Development Goals (MDGs) coming to an end in 2015, global stakeholders have agreed on a new set of 17 Sustainable Development Goals for the post-2015 era. Full and productive employment and decent work for all is one of the proposed goals, which is critical to poverty eradication. As productive employment opportunities are availed to the youth, this should reduce the dependency ratio, helping to unlock the demographic dividend that accounted for half of East Asia's growth.

Democratic developmental state interventions in Southern Africa today will require not only changes to economic policies, practices and structures but also changes in political cultures. Gender relations, too, will have to be altered substantially (as outlined in Chapter 2); the constraints posed by the current global economic and political system will have to be limited and specific social and developmental outcomes need to direct the interventions in the years to come. As pointed out by Evans (2014: 222-23), 'state capacity will have an even greater role to play in societal success in the coming century than it did in the last century'. The specific kind of 'embeddedness' that was critical for developmental states in the twentieth century, such as dense networks between the state and industrial elites, 'will have to be replaced by a much broader, much more 'bottom-up' set of state-society ties to secure developmental success in the current century'.

We further agree with Evans (2014: 231) that a DDS today has to play a central role regarding the investment in human capacities to create the 'stock of ideas' that will drive economic and social development. The state will have to be 'agile, active, resourceful and able to act independently of private interests whose returns depend on restricting the flow of knowledge'. A successful DDS will also need the participation of social actors and their active engagement as alluded to by the slogan 'none but ourselves'. This is a political question rather than a technical one and the new DDS will have to consider not only competent but also participatory political institutions. The cases of Angola and Zimbabwe in particular have shown that the pronounced absence of democratic participation has undermined developmental outcomes. Broad-based and participatory forms of democracy are thus mutually reinforcing factors in the path towards a DDS.

There is no doubt that the building of DDS in Southern Africa (and elsewhere) today will require political struggles. Turning states towards the systematic expansion of human capabilities through redistributive and participatory processes that will in turn lead to more productive and dynamic economies implies the confrontation with a host of political obstacles at national level as well as the global one (Evans, 2014), Global capital (alongside most national firms) will certainly oppose the building of strong state apparatuses and will resort to neo-liberal arguments to discredit moves towards the building of a DDS. It thus remains

an open question whether the balance of forces in Southern Africa will allow the transformation required for building a DDS in the region. The old slogan of the Mozambican revolutionaries, ‘a luta continua’, certainly captures the task at hand.

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Towards DEMOCRATIC DEVELOPMENTAL STATES in Southern Africa

The dawn of the twenty-first century heralded an apparent change of fortunes for most sub-Saharan African economies, with annual growth averaging over 5% for fifteen years. However, this was not accompanied by structural transformation: poverty, food insecurity, unemployment and inequality persist.

Structural transformation has not been – and indeed cannot be – delivered by market forces and neo-liberal economic policies; it requires a state committed to development, and to achieving it in a democratic way.

To what extent do the countries of Southern Africa exhibit the characteristics of such a 'developmental state'? What steps, if any, do they need to take in order to become one?



This book answers the questions with respect to South Africa, Botswana, Namibia, Zimbabwe, Angola and Malawi. Godfrey Kanyenze and his colleagues have assembled a distinguished team of writers to take the temperature of the regional political economy, and chart a path for its future development.

Towards Democratic Developmental States in Southern Africa is an essential handbook for anyone engaged with the region and concerned about its future prosperity.